

Maine Public Employees Retirement System

Legislative Retirement Program

**Actuarial Valuation Report
as of June 30, 2017**

Produced by Cheiron

October 2017

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October 31, 2017

Board of Trustees
Maine Public Employees Retirement System
PO Box 349
Augusta, Maine 04332-0349

Dear Members of the Board:

We are pleased to submit the June 30, 2017 actuarial valuation report for the Maine Legislative Retirement Program (Program) of the Maine Public Employees Retirement System (MainePERS or System). This report is for the use of the MainePERS Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report contains information on assets, liabilities, and contributions of the Legislative Retirement Program, as well as the required accounting statement disclosures under the Governmental Accounting Standards Board (GASB) Statement No. 67.

In preparing our report, we relied on information, both oral and written, supplied by the System's staff. This information includes, but is not limited to, the program provisions, member 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 No. 23.

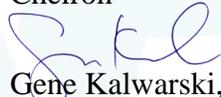
The results of this report rely on future program experience conforming to the underlying assumptions and methods outlined in this report. Future experience may differ significantly from the current experience due to such factors as the following: program experience differing from that anticipated by the assumptions; changes in assumptions; and changes in program provisions or applicable law.

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 that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, including the use of assumptions and methods for funding purposes that comply with the Actuarial Standards of Practice. 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.

This valuation was prepared for the Maine Public Employees Retirement System for the purposes described herein and for the use by the Program's auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,

Cheiron



Gene Kalwarski, FSA, EA
Principal Consulting Actuary



Fiona E. Liston, FSA, EA
Principal Consulting Actuary

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
MAINE LEGISLATIVE RETIREMENT PROGRAM
ACTUARIAL VALUATION AS OF JUNE 30, 2017**

FOREWORD

Cheiron has completed the actuarial valuation report of the Maine Public Employees Retirement System (MainePERS or System) Legislative Retirement Program (Program) as of June 30, 2017. The purpose of this report is to:

- 1) Measure and disclose, as of the valuation date, the financial condition of the Program;
- 2) Compare the current financial condition of the Program to that in the prior year's valuation and reconcile the differences;
- 3) Report on the employer contribution rates developed in this valuation. (Note: the results of this June 30, 2017 valuation will be rolled forward to June 30, 2018 to develop the employer contribution rates for FY 2020 and FY 2021); and
- 4) Provide specific information and documentation required for MainePERS's financial disclosures.

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

Section I presents a summary containing our key findings.

Section II contains details on various asset measures.

Section III shows similar information on liability measures for various purposes, including analysis of key changes in the measures.

Section IV develops the employer contribution rates to be compared to those actually established during the budgeting process.

Section V includes financial disclosure information.

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

- Program membership information at the valuation date (Appendix A);
- Major benefit provisions of the Program (Appendix B);
- Actuarial methods and assumptions used in the current valuation (Appendix C); and
- Terminology used in the Governmental Accounting Standards Board (GASB) disclosures provided as a glossary (Appendix D).

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SECTION I - BOARD SUMMARY

General Comments

The annual employer contributions to this Program are determined on a biennial basis in even years. The contributions for fiscal year (FY) 2016 and FY 2017 were developed through this process in 2014. The assets used in developing these rates were the preliminary June 30, 2014 assets. These were then combined with liability measures as of June 30, 2014 that were developed as an adjustment (i.e., roll-forward) on the liabilities of the June 30, 2013 Actuarial Valuation. This adjustment included updating to reflect anticipated growth in benefits, reductions due to payouts, and any changes in assumptions or benefits between the June 30, 2013 valuation date and the June 30, 2014 measurement date. Similarly, the contributions for FY 2018 and FY 2019 were developed in 2016 and were based on preliminary assets as of June 30, 2016 and liabilities based on the June 30, 2015 actuarial valuation liabilities adjusted to our best estimate of the June 30, 2016 liabilities.

The results of this June 30, 2017 valuation will be used as the basis for the 2018 budgeting process that will develop the applicable FY 2020 and FY 2021 employer contributions to this Program. These rates will be developed based on preliminary asset information as of June 30, 2018 combined with our best estimate of the June 30, 2018 liabilities based on adjustments to the liabilities of this valuation.

The actuarial valuations that are produced in the even years are not used within the budgeting process and as such are primarily used for accounting disclosures.

Experience from July 1, 2016 through June 30, 2017 (FY 2017)

The State of Maine employer rate produced by the June 30, 2016 valuation for the Legislative Retirement Program was 0.00% of payroll. The equivalent rate produced in this June 30, 2017 valuation is 0.00% of payroll. While the rate did not change, the change in UAL shown below is attributable to several elements, including a small loss on investment returns and a small liability experience loss.

As of June 30, 2017, the Program had an unfunded actuarial liability (UAL) of \$(3.745) million (i.e., a surplus). This represents a decrease of \$0.019 million from the \$(3.726) million UAL measured as of June 30, 2016, thus increasing the Program's surplus. There are separate columns showing the impact of liabilities and investments as well as their combined effect on the UAL.

Table I-1 (Amounts in Millions)			
	Liabilities	Assets*	UAL
Value as of June 30, 2016	\$ 7.679	\$ 11.405	\$ (3.726)
Expected Change	0.326	0.509	(0.183)
Impact of Assumption Changes	0.000	0.000	0.000
Recognized Investment Loss	0.000	(0.006)	0.006
Recognized Liability Loss	<u>0.158</u>	<u>0.000</u>	<u>0.158</u>
Value as of June 30, 2017	\$ 8.163	\$ 11.908	\$ (3.745)

* Demonstration uses the actuarial value of assets. Results would be different if the market value was used.

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SECTION I - BOARD SUMMARY

Principal Results Summary

The balance of this Board Summary section of this report presents a summary of the principal results of the valuation, comparing key results between this year's valuation and last year's for member counts, assets and liabilities, and contributions rates.

**Table I-2
Summary of Principal Results
Legislative Retirement Program**

Valuation as of:	June 30, 2016	June 30, 2017	% Change
<u>Member Counts</u>			
Active Members	177	185	4.5%
Retired Members	137	147	7.3%
Beneficiaries of Retired Members	29	31	6.9%
Survivors of Deceased Members	6	5	(16.7)%
Disabled Members	2	2	0.0%
Terminated Vested Members	121	120	(0.8)%
Inactives Due Refunds	<u>107</u>	<u>110</u>	2.8%
Total Membership	579	600	3.6%
Annual Payroll of Active Members	\$ 2,590,011	\$ 2,651,195	2.4%
Annual Payments to Benefit Recipients	\$ 348,592	\$ 374,529	7.4%
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 7,679,458	\$ 8,163,310	6.3%
Actuarial Value of Assets (AVA)	<u>11,405,769</u>	<u>11,908,009</u>	4.4%
Unfunded Actuarial Liability (UAL)	\$ (3,726,311)	\$ (3,744,699)	0.5%
AVA Funding Ratio (AVA/AL)	148.5%	145.9%	
MVA Funding Ratio (MVA/AL)	140.7%	145.7%	
Accrued Benefit Liability (PVAB)	\$ 7,529,956	\$ 7,849,596	4.2%
Market Value of Assets (MVA)	<u>10,806,661</u>	<u>11,896,225</u>	10.1%
Unfunded PVAB	\$ (3,276,705)	\$ (4,046,629)	23.5%
Accrued Benefit Funded Ratio	143.5%	151.6%	
<u>Contributions as a Percentage of Payroll</u>			
Employer Normal Cost Rate	2.41%	4.84%	
UAL Rate	<u>(17.64)%</u>	<u>(17.32)%</u>	
Total Employer Rate, Not Less Than Zero	0.00%	0.00%	
From 2014 Ratemaking (FY16/FY17)	0.00%	0.00%	
From 2016 Ratemaking (FY18/FY19)	0.00%	0.00%	

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SECTION II - ASSETS

Pension plan assets play a key role in the financial operation of plans and in the decisions Trustees make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, employer contribution rates, and the ultimate security of members' benefits.

The assets for all of the defined benefit (DB) Programs administered by MainePERS are commingled for investment purposes, with the adopted actuarial smoothing methodology applied to the market value of the total MainePERS defined benefit assets. This produces an asset ratio (total MainePERS actuarial value of assets divided by total MainePERS market value of assets) that is then applied to the market value of assets attributable to each of the Programs to determine their actuarial value of assets as of the valuation date. The asset ratio derived in this June 30, 2017 valuation is 1.000991 ($\$ 13,628,344,828 \div \$ 13,614,858,621$). The allocation of actuarial value of the total MainePERS DB assets to each of the MainePERS DB Programs based on this asset ratio is shown in the following chart.

Table II-1 Allocation of Actuarial Value of Total MainePERS DB Assets as of June 30, 2017		
	Market Value	Actuarial Value
Teachers	\$ 7,269,242,349	\$ 7,276,442,901
State (Regular & Special)	3,624,049,515	3,627,639,320
Judicial	66,710,150	66,776,230
Legislative	11,896,225	11,908,009
Participating Local Districts (Consolidated & Non-Consolidated)	<u>2,642,960,382</u>	<u>2,645,578,368</u>
Total	\$ 13,614,858,621	\$ 13,628,344,828

For a full reconciliation of the market value of assets and the development of the actuarial value of assets, see the State Employee and Teacher Retirement Program Actuarial Valuation as of June 30, 2017.

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SECTION III - LIABILITIES

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

- Disclosure of the Program's liabilities as of June 30, 2016 and June 30, 2017; and
- Statement of changes in these liabilities during the year.

Disclosure

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

- **Present Value of Future Benefits (PVB):** Used for analyzing the overall financial obligations of the Program, this represents the amount of money needed today to fully fund all future benefits of the Program, assuming active participants continue to earn salary increases and accrue benefits under their current program provisions and assuming all actuarial assumptions are exactly met, including the 6.875% per year investment return.
- **Actuarial Liability (AL):** Used for funding calculations and GASB disclosures, this liability is calculated taking PVB above and subtracting the value of accruals that are assigned to future years on a person-by-person basis. This offset is equal to the present value of future member contributions and future employer normal cost contributions under an acceptable actuarial funding method. For this Program and the other MainePERS defined benefit Programs, this method is referred to as the entry age normal (EAN) funding method, which is the only acceptable actuarial funding method for GASB disclosures.
- **Present Value of Accrued Benefits (PVAB):** Used for communicating the liabilities for benefits accrued as of the valuation date.

Table III-1 on the following page discloses each of these liabilities for the current and prior years' valuations. With respect to the actuarial liability and the present value of accrued benefits, a subtraction of the appropriate value of the Program's assets yields, for each respective type, a net surplus or an unfunded liability.

We note that none of the liabilities presented in this report is an appropriate measure of a settlement liability.

The PVB is compared to the current market value of assets, the expected future value of member contributions, and the expected future value of total employer contributions. The future employer contribution is calculated as the employer contribution rate developed in each valuation times the expected future payroll of the active population as of the valuation date. The difference between the PVB and these anticipated resources indicates either an expected shortfall or an expected surplus representing either additional funding or excess funding required on the payroll of new hires to pay for benefits of existing members. This surplus or shortfall indicates the size of the Program's stored gains or losses that remain outside of the valuation process. These gains or losses may enter the rate-making process depending on the future investment performance.

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SECTION III - LIABILITIES

**Table III-1
Disclosure of Liabilities**

	June 30, 2016	June 30, 2017
Present Value of Benefits (PVB)		
Active Member Benefits	\$ 2,711,044	\$ 3,217,368
Retired, Disabled, Survivor, and Beneficiary Benefits	3,229,921	3,584,220
Terminated (Vested & Nonvested) Benefits	<u>2,565,996</u>	<u>2,588,003</u>
Total PVB	\$ 8,506,961	\$ 9,389,591
Market Value of Assets (MVA)	\$ 10,806,661	\$ 11,896,225
Future Member Contributions	649,964	789,755
Future Employer Contributions Assuming No Further Gains or Losses or New Hires	0	0
Projected (Surplus)/Shortfall	<u>(2,949,664)</u>	<u>(3,296,389)</u>
Total Resources	\$ 8,506,961	\$ 9,389,591
Actuarial Liability (AL)		
Present Value of Benefits (PVB)	\$ 8,506,961	\$ 9,389,591
Present Value of Future Normal Costs (PVFNC)		
Employer Portion	177,539	436,526
Member Portion	<u>649,964</u>	<u>789,755</u>
Actuarial Liability (AL = PVB – PVFNC)	\$ 7,679,458	\$ 8,163,310
Actuarial Value of Assets (AVA)	<u>11,405,769</u>	<u>11,908,009</u>
Net (Surplus)/Unfunded (AL – AVA)	\$ (3,726,311)	\$ (3,744,699)
Present Value of Accrued Benefits		
Present Value of Future Benefits (PVB)	\$ 8,506,961	\$ 9,389,591
Present Value of Future Benefit Accruals (PVFBA)	<u>977,005</u>	<u>1,539,995</u>
Accrued Liability (PVAB = PVB – PVFBA)	\$ 7,529,956	\$ 7,849,596
Market Value of Assets (MVA)	<u>10,806,661</u>	<u>11,896,225</u>
Net (Surplus)/Unfunded (PVAB – MVA)	\$ (3,276,705)	\$ (4,046,629)

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SECTION III - LIABILITIES

Changes in Liabilities

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

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

Unfunded liability measurements will change because of all of the above, as well as due to changes in the Program’s asset measurements resulting from:

- Employer contributions being different than expected
- Investment earnings being different than expected
- A change in the method used to measure program assets in developing the unfunded liability measure since the last valuation

In each valuation, we report on those elements of change in the Program’s liability measures that are of particular significance, potentially affecting the long-term financial outlook of the Program. In Table III-2 below, we present key changes in the Program’s liability measures since the last valuation.

Table III-2			
	Present Value of Future Benefits	Actuarial Liability	Present Value of Accrued Benefits
Liability Measurement – June 30, 2016	\$ 8,506,961	\$ 7,679,458	\$ 7,529,956
Liability Measurement – June 30, 2017	<u>9,389,591</u>	<u>8,163,310</u>	<u>7,849,596</u>
Liability Measurement Increase/ (Decrease) Due to:	\$ 882,630	\$ 483,852	\$ 319,640
Program Amendment	\$ 0	\$ 0	\$ 0
Assumption Change	0	0	0
Actuarial (Gain)/Loss	N/C	157,775	N/C
Benefits Accumulated and Other Sources	\$ 882,630	\$ 326,077	\$ 319,640

N/C = Not calculated

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SECTION IV - CONTRIBUTIONS

In this section, we present detailed information on employer contribution rates as developed in this June 30, 2017 valuation for the Program, including development of the employer contribution rate, comprised of the employer normal cost rate and the unfunded actuarial liability (UAL) rate.

Note that these contribution rates are only informational and the actual contribution rates are set by the budgeting process described in the Board Summary at the beginning of this report.

Description of Rate Components

For this Program, the funding methodology employed to determine the employer contribution rates is the entry age normal funding method. Under this method, there are two components to the total employer contribution rate: the normal cost rate (NC rate) and the unfunded actuarial liability rate (UAL rate).

An individual entry age normal cost rate is determined for each active member. The normal cost is determined by the following steps. First, an individual normal cost rate is determined by taking the value of each active member's projected future benefit as of entry age into a Program. Second, this value is then divided by the value, also at entry age, of the member's expected future salary. Finally, the rate is reduced by the member contribution rate to produce the employer normal contribution rate. These rates are then multiplied by each member's salary as of the valuation date and added together to get the total normal cost dollars as of the valuation date for that Program and then divided by the total payroll at the valuation for the Program to get the normal cost rate for that Program.

The unfunded actuarial liability under the entry age normal funding method equals the present value, at the time of valuation, of the future benefit payments less the present value of future employer normal cost contributions, future member contributions, and current assets. The UAL rate determined is the percentage that applied to member payroll is expected to amortize the UAL according to the Program's amortization policy, which is 10 years.

Contribution Calculations

Table IV-1 below presents and compares the composite total employer contribution rate, as well as its two components, for the Program as developed in this valuation and the prior one.

Table IV-1		
Legislative Total Employer Rate		
Valuation Date	June 30, 2016	June 30, 2017
Employer NC Rate	2.41%	4.84%
UAL Rate	(17.64)%	(17.32)%
Total Employer Rate	(15.23)%	(12.48)%

The rates developed in this section are for valuation purposes only. Actual budgeted rates are set based on the process described in the Board Summary section.

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

This section contains financial disclosure information regarding the Program developed under a number of accounting standards and guidance.

First, for informational purposes, we show the Program's funded status under the Financial Accounting Standards Board (FASB) ASC Topic 960, which discloses how the market value of assets would compare to accrued liabilities if contributions were to stop and accrued benefit claims had to be satisfied as of the valuation date. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if all provisions of the Program were to terminate. We have prepared the following exhibit in this section based on FASB ASC Topic 960:

- Table V-1: Accrued Benefits Information

The Governmental Accounting Standards Board (GASB) Statements Nos. 67 and 68 establish standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in financial statements, notes to financial statements, and supplementary information. We have prepared the following exhibits reflecting provisions of GASB Statement Nos. 67 and 68:

- Table V-2: Schedule of Changes in Net Pension Liability and Related Ratios
- Table V-3: Sensitivity of Net Pension Liability to Changes in Discount Rate
- Table V-4: Schedule of Employer Contributions
- Table V-5: Average Expected Remaining Service Lives

A summary of the terminology used in GASB Statement Nos. 67 and 68 is provided in Appendix D of this report. Note that while much of the information provided in this report under GASB No. 67 is also utilized in GASB No. 68, Table V-5 included in this section is only applicable to GASB No. 68.

Finally, we have also developed disclosure information in this section based on additional guidance relating to Comprehensive Annual Financial Reports (CAFRs) of public employees retirement systems (PERS) provided by the Government Finance Officers Association (GFOA) in their publication, *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR). We have prepared the following exhibits reflecting guidance in the GAAFR:

- Table V-6: Analysis of Financial Experience
- Table V-7: Solvency Test

The present value of accrued benefits, the total pension liability (GASB 67/68), and the actuarial liability (GAAFR) disclosures in this section are all determined assuming that the Program is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities as of June 30, 2017 are discounted at the assumed valuation interest rate of 6.875% per annum in all of these disclosures.

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

Table V-1 below includes the relevant amounts as of June 30, 2016 and June 30, 2017 as well as reconciliation between the two dates under FASB ASC Topic 960. There were no assumption changes or Program changes during the year.

Table V-1 Accrued Benefits Information		
FASB ASC Topic 960 Basis	June 30, 2016	June 30, 2017
1. Present Value of Benefits Accrued to Date (PVAB)		
a. Members Currently Receiving Payments	\$ 3,229,921	\$ 3,584,220
b. Terminated Vested Members	2,565,996	2,588,003
c. Active Members	<u>1,734,039</u>	<u>1,677,373</u>
d. Total PVAB	\$ 7,529,956	\$ 7,849,596
2. Market Value of Assets (MVA)	<u>10,806,661</u>	<u>11,896,225</u>
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 0	\$ 0
4. Ratio of MVA to PVAB (2)/(1)(d)	143.5%	151.6%
Change in Present Value of Benefits Accrued to Date during FY 2017		
Increase/(Decrease) during Year Attributable to:		
Passage of Time	\$ 501,829	
Benefits Paid		(469,043)
Assumption Changes		0
Program Changes		0
Benefits Accrued, Other Gains/Losses		<u>286,854</u>
Net Increase (Decrease)		\$ 319,640

Table V-2 that follows shows the changes in the total pension liability (TPL), the Program's fiduciary net position (FNP) (i.e., fair value of the Program's net assets), and the net pension liability (NPL) during the measurement year ending June 30, 2017 as well as related ratios calculated under the provisions of GASB Statement No. 67 for the Program.

As of the June 30, 2017 valuation, the fiduciary net position for this Program was projected to be available to make all projected future benefit payments for current program members. As such, the long-term expected rate of return on the Program's investments was applied to all periods of projected benefit payments in determining the total pension liability under GASB Nos. 67 and 68. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and the employer contributions will be made according to the actuarial calculations developed in the biennial budgeting process.

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

Table V-2
Schedule of Changes in Net Pension Liability and Related Ratios
FY 2017

<u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 264,807
Interest (Includes Interest on Service Cost)	530,313
Changes of Benefit Terms	0
Differences Between Actual and Expected Experience	157,775
Changes of Assumptions	0
Benefit Payments, Including Refunds of Member Contributions	(469,043)
Net Change in TPL	483,852
Beginning of Year (BOY) TPL	7,679,458
End of Year (EOY) TPL	\$ 8,163,310
<u>Program Fiduciary Net Position (FNP)</u>	
Employer Contributions	\$ 0
Member Contributions	202,388
Net Investment Income	1,366,222
Benefit Payments, Including Refunds of Member Contributions	(469,043)
Administrative Expense	(10,003)
Net Change in FNP	\$ 1,089,564
BOY FNP	10,806,661
EOY FNP	\$ 11,896,225
EOY Net Pension Liability (NPL)	\$ (3,732,915)
FNP as a Percentage of TPL	145.7%
Covered Payroll (Payroll)*	\$ 2,651,195
NPL as a Percentage of Payroll	(140.8)%

*For FY 2017

Notes to Schedule of Changes in Net Pension Liability and Related Ratios

None.

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

A ten-year schedule of changes in NPL and related ratios is to be included within the CAFR for PERS. However, based on GASB guidance, this ten-year history can be built one year at a time following implementation. We have shown only the current year of this *Schedule of Changes in Net Pension Liability and Related Ratios* above and believe that you can accumulate these individual years in the MainePERS CAFR to build this schedule to show the full ten-year schedule over time. Notes to this schedule should be included for any factors significantly impacting the trends reported within the period shown in this schedule at that time. As of June 30, 2017, we believe no such note is necessary and as such have included none in the *Notes to Schedule of Changes in Net Pension Liability and Related Ratios* above. However, it is our expectation that System staff will make the final determination regarding any notes needed for this schedule and are available to provide any information they may need for this purpose.

Table V-3 below illustrates the sensitivity of the net pension liability (NPL) to the discount rate. Changes in the discount rate affect the measurement of the total pension liability (TPL) for the Program. Lower discount rates produce a higher TPL, and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for relatively small changes in the discount rate.

Table V-3			
Sensitivity of Net Pension Liability to Changes in Discount Rate			
FY 2017			
	1% Decrease 5.875%	Discount Rate 6.875%	1% Increase 7.875%
Total Pension Liability (TPL)	\$ 8,997,214	\$ 8,163,310	\$ 7,440,650
Program Fiduciary Net Position (FNP)	<u>11,896,225</u>	<u>11,896,225</u>	<u>11,896,225</u>
Net Pension Liability (NPL)	<u>\$ (2,899,011)</u>	<u>\$ (3,732,915)</u>	<u>\$ (4,455,575)</u>
FNP as a Percentage of TPL	132.2%	145.7%	159.9%

A one percent decrease in the discount rate increases the TPL by approximately 10% and increases the NPL by approximately 22%. A one percent increase in the discount rate decreases the TPL by approximately 9% and decreases the NPL by approximately 19%.

Table V-4 that follows provides information relating to the employer contributions for the Program. Under GASB Statement No. 67, if an actuarially determined contribution (ADC) or a contractually or statutorily required contribution (CRC) is developed for a single employer or cost-sharing plan, the following schedule is required. For purposes of this schedule, an ADC is a contribution amount determined in accordance with Actuarial Standards of Practice and a CRC is based on statutory or contractual requirements. Both should exclude any amounts to finance specific liabilities of individual employers of the plan. If an ADC is available, the schedule of employer contributions should be developed on that basis. If there is no ADC, but there is a CRC, the schedule should be developed on that basis. Only if neither an ADC nor a CRC is developed can this schedule be omitted from the PERS's CAFR.

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

The Program’s rates set in the ratemaking process meet the definition of an ADC, so for this Program this schedule should be developed on that basis. Based on GASB guidance, a full ten years of information should be shown in this schedule if it is available, but this ten-year history can be built one year at a time following implementation. We have shown only the current year of this *Schedule of Employer Contributions* below and believe that you can accumulate these in the MainePERS CAFR to build this schedule to show the full ten-year schedule over time.

Only the current year of the *Notes to Schedule of Employer Contributions* below needs to be included in the notes to this schedule. However, any factors that significantly affect trends in the *Schedule of Employer Contributions* at any point in the ten-year period should also be included in the notes to this schedule. We do not believe that any such note will be needed in the future based on this measurement year ending June 30, 2017, but it is our expectation that System staff will make the final determination regarding any notes needed for this schedule and are available to provide any additional information that they may need for this purpose.

Table V-4 Schedule of Employer Contributions FY 2017	
Actuarially Determined Contribution (ADC)	\$ 0
Contributions in Relation to the ADC	0
Contribution Deficiency/(Excess)	<u>\$ 0</u>
Covered Payroll (Payroll)	\$ 2,651,195
Contributions as a Percentage of Payroll	0.00%

Notes to Schedule of Employer Contributions

Valuation Date: June 30, 2013

Timing: June 30, 2017 ADC rates are calculated based on 2014 liabilities developed as a roll-forward of the 2013 valuation liability, adjusted for expected experience and any assumption or methodology changes during FY 2014 using actual assets as of June 30, 2014.

Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry age normal

Asset Valuation Method: Three-year smoothed market

Amortization Method: Level percentage of payroll, open 10-year of the 2014 UAL

Discount Rate: 7.125%

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Amortization	
Growth Rate:	3.50%
Price Inflation:	3.50%
Salary Increases:	3.50%
Mortality:	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

Other Information

None.

Table V-5 that follows was provided in this report at the request of MainePERS staff, showing the development of the average remaining service life for the Program. GASB Statement No. 68 requires some items be recognized by employers into pension expense over a period “equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period”. For the current measurement year ending on June 30, 2017, these values are thus developed as of June 30, 2016. The development of this value is shown below, including reflection of the decision by MainePERS to round the resulting value to the nearest whole year.

Table V-5 Average Expected Remaining Service Lives For Measurement Year Ending June 30, 2017			
Status	Total Expected Future Service	Count	Average Remaining Service Lives
Actives	679	177	4
In-Pay Members	0	168	0
Terminated Vested Members	0	121	0
Inactives Due Refunds	<u>0</u>	<u>107</u>	<u>0</u>
Total Membership	679	573	1

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Table V-6 below is a gain/loss analysis of the changes in the actuarial liability over the past six years, reflecting variances between actual experience and assumed experience for different kinds of risk as specified in the GFOA GAAFR.

Table V-6						
Analysis of Financial Experience						
Gain and Loss in Actuarial Liability During Fiscal Years Ended June 30						
Resulting from Differences Between Assumed Experience and Actual Experience						
Type of Activity	Gain (or Loss) For Fiscal Year Ended June 30, 2012	Gain (or Loss) For Fiscal Year Ended June 30, 2013	Gain (or Loss) For Fiscal Year Ended June 30, 2014	Gain (or Loss) For Fiscal Year Ended June 30, 2015	Gain (or Loss) For Fiscal Year Ended June 30, 2016	Gain (or Loss) For Fiscal Year Ended June 30, 2017
Investment Income	\$ (221,747)	\$ (58,626)	\$ 475,733	\$ (73,732)	\$ (295,325)	\$ (6,238)
Combined Liability Experience	<u>633,285</u>	<u>574,628</u>	<u>46,483</u>	<u>508,125</u>	<u>245,867</u>	<u>(157,775)</u>
Gain (or Loss) during Year from Financial Experience	411,538	516,002	522,216	434,393	(49,458)	(164,013)
Non-Recurring Items	<u>(529,987)</u>	<u>(624,647)</u>	<u>(85,783)</u>	<u>(4,418)</u>	<u>146,529</u>	<u>0</u>
Composite Gain (or Loss) During Year	\$ (118,449)	\$ (108,645)	\$ 436,433	\$ 429,975	\$ 97,071	\$ (164,013)

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SECTION V - FINANCIAL DISCLOSURE INFORMATION

Table V-7 below compares the Program’s assets as of each valuation date shown to the Program’s actuarial liability divided into three separate groups: liabilities for contributions on deposit for current active members, liabilities for future benefits for inactive members, and employer-financed liabilities for current active members. This solvency test is used to assess funding progress based on what percentage of the liabilities for each of these groups the Program’s assets are sufficient to cover. Per GFOA guidance, this schedule is to include this assessment for the ten most recent years and notes to this schedule should be provided to explain any factors that affect the comparability of the data. We do not believe that any such note is necessary for the measurement year ending June 30, 2017, but it is our expectation that System staff will make the final determination regarding any notes needed for this schedule.

Table V-7 Solvency Test Aggregate Actuarial Liabilities For							
Valuation Date	(1)	(2)	(3)	Reported Assets*	Portion of Actuarial Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees, Vested Terms, Beneficiaries	Active Members (Employer Financed Portion)		(1)	(2)	(3)
2017	\$ 2,516,620	\$ 6,172,223	\$ (525,533)	\$ 11,908,009	100%	100%	613%
2016	2,505,647	5,795,917	(622,106)	11,405,769	100%	100%	499%
2015	2,444,638	5,581,571	(467,916)	11,219,880	100%	100%	683%
2014	2,464,847	5,073,388	(33,042)	10,775,701	100%	100%	9,798%
2013	2,363,217	4,965,686	(456,289)	9,771,955	100%	100%	535%
2012	2,321,819	3,895,976	25,844	9,322,419	100%	100%	12,013%
2011	2,228,233	4,002,993	(506,033)	9,040,180	100%	100%	555%
2010	2,099,683	3,680,940	292,741	8,634,635	100%	100%	975%
2009	2,005,895	3,636,651	(142,737)	8,717,885	100%	100%	2,155%
2008	1,892,250	3,237,876	474,879	9,099,133	100%	100%	836%

* Reported assets are measured at actuarial value. Results would be different if market value of assets were used. Despite the name of this exhibit, the liabilities presented in this schedule are not an appropriate measurement of the settlement value of the Program.

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APPENDIX A - MEMBERSHIP INFORMATION

Active Member Data as of June 30, 2017	
Count	185
Average Current Age	56.3
Average Benefit Service	4.4
Average Vesting Service	5.4
Average Valuation Pay	\$14,331

Non-Active Member Data as of June 30, 2017				
	<u>Count</u>	<u>Average Age</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
Retired	147	76.1	\$290,821	\$ 1,978
Retired – Concurrent Beneficiaries	5	76.0	1,631	326
Disabled Beneficiaries	2	62.4	14,437	7,219
Pre-Retirement Death Benefits	26	77.7	35,927	1,382
Terminated Vested	5	72.7	31,714	6,343
Inactive Due Refund	120	56.2	232,228	1,935
	110	NA	NA	NA

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APPENDIX B - SUMMARY OF PROGRAM 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. Member contributions earn 5% annual interest.

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) that 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.

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- ii. Eligibility alternative for members in active service:

Attainment of age 60.

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

Attainment of age 60 and ten years of creditable service.

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

Attainment of age 60 and five years of creditable service.

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.

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- 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.

The benefit is reduced for retirement before age 60 at the approximate rates listed in the table below, for members with at least ten years creditable service on July 1, 1993.

Age	Reduction	Age	Reduction
45	29.3%	53	16.6%
46	28.0	54	14.6
47	26.6	55	12.5
48	25.2	56	10.3
49	23.6	57	7.9
50	22.0	58	5.4
51	20.3	59	2.8
52	18.5	60	0.0

The benefit is 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, but at least five years creditable service on July 1, 2011.

The benefit is 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.

Minimum benefit \$100 per month if at least ten years of creditable service.

Form of Payment: Life annuity.

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

Eligibility: Disabled as defined in the Legislative Retirement Program statutes prior to normal retirement age, employed prior to October 16, 1992 and did not elect No Age Disability Option, and either disabled in the line-of-duty or disabled with at least five years of creditable service.

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 Workers' 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 ten years following normal retirement age and the date that 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 is increased at same rate as any cost-of-living adjustments for which the member is eligible (not subject to a cap) (see item 12). 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 time.

7. No Age Disability Retirement Benefits

Eligibility: Disabled as defined in the Legislative Retirement Program statutes, employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability, and either disabled in the line-of-duty or disabled with at least five years of creditable service.

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 Workers' 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 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 is increased at the same rate as any cost-of-living adjustments for which the member is eligible (not subject to a cap) (see item 12). On the date when service

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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 time.

8. Pre-Retirement Ordinary Death Benefits

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

Benefit: Designated beneficiary, spouse, children, or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 13); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent children, 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, children, 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.

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 children of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation while having the care of dependent children. When there are no longer any dependent children, 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 children, the surviving spouse and dependent children shall share equally an annual sum equal to the member's average final compensation. When there are no longer any dependent children, the surviving spouse shall receive two-thirds of the member's average final compensation until death.
- If the member leaves no spouse, the dependent children shall share 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".

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10. Termination Benefit

Eligibility: Termination of service other than by retirement or death with at least five years of credible service.

Benefit: The member's choice of a refund of the accumulated contributions with interest or a retirement benefit using creditable service and average final compensation as of date of termination, deferred to normal retirement age.

11. Refund of Contributions

Eligibility: Termination of service other than by retirement or death with less than five years of creditable service.

Benefit: Refund of member's accumulated contributions with interest.

12. 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 negative changes in the Index.

Cost-of-living adjustments (COLA) are effective September 1 of each year and are applied to that portion of the benefit that is not in excess of a COLA cap whose value grows annually with the same adjustment as the COLA (see values below) for all benefits that have been in payment for at least twelve months as of that date. 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.

COLA Cap History: (value as of September 1 of listed year when COLA effective):

2014 - \$20,000.00
2015 - \$20,420.00
2016 - \$20,940.71
2017 - \$21,474.70

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Members who did not have ten years of service on July 1, 1993 will begin receiving cost-of-living adjustments at the latter of 12 months after their normal retirement age and the first September 1 following a minimum of twelve months of being in receipt of their benefit.

13. 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 member contribution balance, if any, at the date of death (where the member contribution balance has been reduced each month by the portion of the monthly benefit deemed to be provided by member 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.

14. Program Changes since Prior Valuation

None.

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APPENDIX C - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Annual Rate of Investment Return

Legislative	6.875%
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Rate is net of both administrative and investment expense.

2. Cost-of-Living Adjustment (COLA) Assumed Rate

Legislative	2.20%
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3. Annual Rate of Individual Salary Increase

Legislative	2.75%
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4. Sample Rates of Termination (% at Selected Years of Service)

Service	Termination Rate
0	0%
1	0
2	30
3	30
4	25
5	25
6	10
7	10
8	50
9	50
10	25
11	25
12	25
13	25
14	25
15	25
16+	50

The rates shown are only applicable in the fiscal years ending in odd years while zero terminations are assumed in the fiscal years ending in even years.

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 of member contributions with interest based on present value at time of termination.

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5. Sample Rates of Mortality for Healthy Annuitant Lives at Selected Ages (number of deaths per 10,000 members)

(Showing values in 2017)		
Age	Male	Female
50	41	32
55	58	43
60	79	63
65	112	96
70	173	155
75	282	253
80	475	428
85	829	760
90	1,460	1,358
95	2,306	2,234

Rates are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

6. Sample Rates of Mortality for Active Healthy Lives at Selected Ages (number of deaths per 10,000 members)*

(Showing values in 2017)		
Age	Male	Female
20	4	2
25	5	2
30	4	3
35	5	4
40	6	5
45	10	8
50	17	13
55	28	20
60	47	29
65	84	44

* 5% of deaths assumed to arise out of and in the course of employment.

Rates are based on 104% and 120% of the RP-2014 Total Dataset Employee Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Healthy Annuitant Mortality Table rates after the end of the Total Employee Mortality Table, both

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projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

7. Sample Rates of Mortality for Disabled Annuitant Lives at Selected Ages (number of deaths per 10,000 members)

(Showing values in 2017)		
Age	Male	Female
25	83	24
30	79	30
35	93	42
40	112	58
45	174	91
50	214	120
55	246	151
60	280	179
65	335	218
70	433	296

Rates are based on 108% and 105% of the RP-2014 Total Dataset Disabled Annuitant Mortality Table, respectively, for males and females, projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

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

Age	Fiscal Years Ending Even	Fiscal Years Ending Odd
57-69	0	250
70+	0	1,000

Note that the all retirement rates are only applied once the member is eligible to retire, so those in with 62 or 65 normal retirement ages are not assumed to retire until eligible. No retirements are assumed prior to age 57, regardless of service amount.

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9. Sample Rates of Disability at Selected Ages (number becoming disabled per 10,000 members)

Age	
25	0
30	0
35	0
40	0
45	0
50	0
55	0
60	0

10. Family Composition Assumptions

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

11. Technical and Miscellaneous Assumptions

Decrement Timing: Middle of the valuation year

Pay Increase Timing: Salary provided is treated as the rate of pay as of valuation date. Annual increases are applied as of the beginning of each subsequent valuation.

Member Contribution Interest Rate: 5%

COLA Timing: September 1

12. Rationale for Actuarial Assumptions

The assumptions were adopted by the Board of Trustees at their July 14, 2016 meeting. The demographic assumptions adopted are based on an experience study covering the period from June 30, 2012 through June 30, 2015 and the economic assumptions are based on this experience study along with advice of the MainePERS investment consultants.

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APPENDIX C - ACTUARIAL ASSUMPTIONS AND METHODS

13. Changes since Last Valuation

None.

B. Actuarial Methods

1. Funding Method

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

Under this method, the actuarial present value of the projected benefits of each active included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to the year beginning on the valuation date is called the normal cost. For each active, the normal cost is determined by taking the value, as of entry age into the Program, of the member's projected benefits, reduced by the value of future member contributions, and then dividing it by the value, also as of the member's entry age, of the member's expected future salary. This rate is then multiplied by the member's salary at the valuation date to produce the normal cost for each member, which are then aggregated across all members to get the total normal cost for the Program. This total normal cost is then divided by the total salary for the Program at the valuation date to get the normal cost rate for the Program.

The portion of the actuarial present value not provided for at the valuation date by the actuarial present value of the future normal costs is called the actuarial liability. The unfunded actuarial liability is defined as the total actuarial liability at the valuation date less the actuarial value of the Program's assets at the valuation date. Contributions are made to fund this unfunded actuarial liability (UAL). The UAL rate for this Program is developed by amortizing the unfunded liability over an open ten-year period, assuming these amortization payments increase over the previous year at a rate of 2.75% per year. The resulting amortization for the year beginning on the valuation date is then divided by the total payroll for the Program to develop the UAL rate.

The total rate for the Program is produced by adding the normal cost rate and the UAL rate, subject to the requirement that the total rate cannot be less than 0%.

By using an open amortization period, this funding method results in the expectation that any unfunded liability in the Program as of a valuation date will never be fully reduced to zero if all of the valuation assumptions are exactly met.

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APPENDIX C - ACTUARIAL ASSUMPTIONS AND METHODS

2. Asset Valuation Method

For purposes of determining the State contribution to the Program and the Program's funded ratio, 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.

Please refer to the Maine Public Employees Retirement System State Employee and Teacher Retirement Program actuarial valuation report as of June 30, 2017 for additional information about the actuarial value of assets, including its development.

3. Changes since Last Valuation

None.

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APPENDIX D - GLOSSARY OF GASB TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual, included in an actuarial valuation, is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Program Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the Program.

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APPENDIX D - GLOSSARY OF GASB TERMS

7. Net Pension Liability

The liability of employers and non-employer contributing entities for employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Program Fiduciary Net Position.

8. Program Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

The last day of the Program or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.



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