

MAINE STATE LEGISLATURE

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(EMERGENCY)

ONE HUNDRED AND THIRD LEGISLATURE

Legislative Document

No. 170

S. P. 89

In Senate, January 18, 1967

Referred to Committee on State Government. Sent down for concurrence and ordered printed.

JERROLD B. SPEERS, Secretary

Presented by Senator Brewer of Sagadahoc.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-SEVEN

AN ACT to Revise the Retirement System Law.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, investing state funds is one of the most important duties of the trustees of the Retirement System and such investing should be made as prudently and successfully as possible; and

Whereas, the following legislation is vitally necessary to enable the investments of state funds to be made so that earnings might thereafter be improved as soon as possible; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. R. S., T. 5, § 1031, sub-§ 1, repealed and replaced. Section 1031 of Title 5 of the Revised Statutes is amended by repealing subsection 1 and enacting the following in place thereof:

1. Board of trustees. The general administration and responsibility for the proper operation of the retirement system and for making this chapter effective are vested in a board of 7 trustees. The board shall formulate policies and exercise general supervision under this chapter. Administrative duties shall be vested in the executive secretary appointed under subsection 6. The board, as

heretofore established, shall consist of a member duly elected by the Maine Teachers' Association; a member duly elected by the Maine State Employees' Association; 3 persons appointed by the Governor with the advice and consent of the Council, at least 2 of whom shall be qualified through training and experience in the field of investments; a person who is a member of the Maine State Retirement System through a participating local district and who shall be appointed by the governing body of the Maine Municipal Association; a person who is the recipient of a retirement allowance through the Maine State Retirement System and who shall be selected by the foregoing members of the board of trustees from a list or lists of nominees submitted by retired state employees, retired teachers and retired participating local district employees, or by a committee comprised of representatives of said groups. Each member of the board shall serve for a term of 3 years, except that those board members who were elected by the Maine State Employees' Association and the Maine Teachers' Association shall continue as trustees for the duration of the terms to which each was so elected. Appointments to any vacancy caused by death, resignation or ineligibility shall be for the unexpired portion of the term.

Sec. 2. R. S., T. 5, § 1031, sub-§ 2, amended. Subsection 2 of section 1031 of Title 5 of the Revised Statutes is amended to read as follows:

2. Expenses. The trustees shall serve without compensation but they shall be reimbursed from the funds of the retirement system for all necessary expenses that they may incur through service on the board of trustees, **except that those trustees appointed by the Governor, or those who are not on administrative leave, shall be entitled to a payment of \$35 per diem in addition to expenses when engaged in the performance of authorized retirement system duties.**

Sec. 3. R. S., T. 5, § 1031, sub-§ 3, repealed and replaced. Subsection 3 of section 1031 of Title 5 of the Revised Statutes is repealed and the following enacted in place thereof:

3. Oath. Each trustee shall, within 10 days after his appointment or election, take an oath of office to faithfully discharge the duties of a trustee, in the form prescribed by the Constitution. Such oath shall be subscribed to by the trustee making it and certified by the officer before whom it is taken and immediately filed in the office of the Secretary of State.

Sec. 4. R. S., T. 5, § 1031, sub-§ 15, repealed and replaced. Subsection 15 of section 1031 of Title 5 of the Revised Statutes is repealed and the following enacted in place thereof:

15. Investment and other counsel. The board of trustees shall employ a bank fiduciary located in New England or New York City and may employ other investment counsel or advice and other expert professional or other assistance as may be necessary or appropriate to aid in carrying out its functions.

The board shall have the power to enter into a contract with the bank fiduciary to carry out the investment functions of the board. Under the terms of the contract the bank fiduciary may be authorized to have custody of all or any of the assets belonging to any fund of the retirement system and to invest and reinvest the funds of the retirement system in its discretion within the frame-

work of the general investment policy of the board of trustees. The board shall receive reports of the investments and any changes therein effected by the bank at least quarterly. The contract shall have the approval of the Governor and the Executive Council. The expenses incurred in employing a fiduciary and other investment counsel or advice shall be charged to earnings received from the investments.

Sec. 5. R. S., T. 5, § 1031, sub-§ 16, repealed and replaced. Subsection 16 of section 1031 of Title 5 of the Revised Statutes is repealed and the following enacted in place thereof :

16. Custodial care and servicing of negotiable securities. The board of trustees shall have the power to enter into a contract or agreement with any national bank, trust company or safe deposit company located in New England or New York City for custodial care and servicing of the negotiable securities belonging to any fund of the retirement system to the extent that there may be any such securities which are not held by the bank fiduciary under subsection 15. Such services shall consist of the safekeeping of said negotiable securities in the vaults of the bank, trust company or safe deposit company, preparation of coupons for collection, the actual collection of such coupons, periodic checks of the portfolio deposited for safekeeping to determine all calls for redemption, in whole or in part, of any bonds owned by the retirement system, and any other fiscal service which is normally covered in a custodial contract or agreement.

The said board of trustees is empowered to arrange for the payment of such services, either by cash payments to be charged pro rata to the income of the several funds of the system, or by an agreement for a compensating deposit balance with the bank in question, in lieu of such cash payment, or by some combination of both methods of payment. The contracting bank shall give assurance of proper internal safeguards, which are usual to such contracts, and shall furnish insurance protection satisfactory to both parties.

The executive secretary, or such other person or persons as may be designated to the custodian by the board of trustees, shall be empowered to withdraw or deposit securities from or with the custodian as circumstances may require except that all withdrawals or delivery instructions shall bear the written approval of 2 other persons duly authorized by a resolution of the board of trustees.

All contracts or agreements entered into between the said board of trustees and the custodian bank, trust company or safe deposit company selected by them shall have the approval of the Governor and Executive Council.

Sec. 6. R. S., T. 5, § 1061, sub-§ 1, repealed and replaced. Subsection 1 of section 1061 of Title 5 of the Revised Statutes is repealed and the following enacted in place thereof :

1. Duties of board of trustees. The members of the board of trustees shall be the trustees of the several funds created by this chapter and shall be authorized to cause such funds to be invested and reinvested by a bank fiduciary in accordance with the prudent man rule subject to periodic approval of the bank's investment program by the trustees.

The board of trustees may apply any funds derived from investments, including profits on the sale of investments, which are considered by the board to be in excess of actuarial requirements for the proper funding of the reserves, to reduce or eliminate the contributions required of either the member or the employer, or both, to the Survivor Benefit Fund, or those contributions the member is required to make to the Retirement Allowance Adjustment Fund, or a combination of both of these funds. The board may distribute such funds, by resolution, and in such manner as it deems fair and equitable to both the member and the employer.

Sec. 7. R. S., T. 5, § 1062, sub-§ 2, ¶ C, amended. The first paragraph of paragraph C of subsection 2 of section 1062 of Title 5 of the Revised Statutes is amended to read as follows :

Subject to the approval of the ~~board of trustees~~ **executive secretary**, in addition to the contribution deducted from compensation as provided, any member may deposit in the Members' Contribution Fund by a single payment or by an increased rate of contribution an amount computed to be sufficient to purchase an additional amount of retirement allowance which, together with his prospective retirement allowance, will provide for him a total retirement allowance not in excess of $\frac{1}{2}$ of his average final compensation, at any eligible age.

Sec. 8. R. S., T. 5, § 1062, sub-§ 6, ¶ B, amended. Paragraph B of subsection 6 of section 1062 of Title 5 of the Revised Statutes is amended by adding at the end, 2 new sentences, to read as follows :

Should the actuary determine that this fund is larger than necessary to meet obligations, the board of trustees shall have the right to reduce the rate of contribution. The board of trustees shall have the right to increase the rate of contribution after a reduction has been made, but shall not increase said rate to more than $\frac{1}{4}$ of 1%.

Sec. 9. R. S., T. 5, § 1151, sub-§ 2, Table A, amended. Table A of subsection 2 of section 1151 of Title 5 of the Revised Statutes is amended to read as follows :

TABLE A

If annual compensation is		Group Life Insurance	Group Accidental Death and Dismemberment Insurance
Greater than	but not greater than	The maximum amount of group life insurance shall be	The maximum amount of group accidental death and dismemberment insurance shall be
0	\$ 1,000	\$ 1,000	\$ 1,000
\$ 1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000

7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	10,000	10,000	10,000
10,000	11,000	11,000	11,000
11,000	12,000	12,000	12,000
12,000	13,000	13,000	13,000
13,000	14,000	14,000	14,000
14,000	15,000	15,000	15,000
15,000	16,000	16,000	16,000
16,000	17,000	17,000	17,000
17,000	18,000	18,000	18,000
18,000	19,000	19,000	19,000
19,000	20,000	20,000	20,000
20,000	21,000	21,000	21,000
21,000	22,000	22,000	22,000
22,000	23,000	23,000	23,000
23,000	24,000	24,000	24,000
24,000	—	25,000	25,000

Subject to the conditions and limitations of the policy purchased by the board of trustees under this section, the group accidental death and dismemberment insurance shall provide payments as follows :

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.