ONE HUNDRED AND FOURTH LEGISLATURE

Legislative Document **No. 321**

S. P. 112 In Senate, January 23, 1969

Referred to Committee on Retirements and Pensions. Sent down for concurrence and ordered printed.

JERROLD B. SPEERS, Secretary

Presented by Senator Hanson of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED SIXTY-NINE

AN ACT Relating to Amount of Group Life Insurance for Retired Persons Under Maine State Retirement System.

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

Sec. 1. R. S., T. 5, § 1151, sub-§ 9, ¶ A, amended. The first 2 paragraphs of paragraph A of subsection 9 of section 1151 of Title 5 of the Revised Statutes, as amended by section 1 of chapter 34 of the public laws of 1965, are further amended to read as follows:

On retirement for reasons other than occupational disability, the average amount of insurance in force for the last ~~5~~ 3 years prior to retirement shall be continued in force at no cost to the state employee or teacher, provided that he has participated in the group life insurance program for a minimum of 10 years immediately prior to retirement. Said average amount shall be reduced at the rate of ~~15%~~ 10% per year to a minimum of ~~25%~~ 50% of said average amount, and the maximum amount of insurance in force on a retired member after attaining age 70 shall be ~~25%~~ 50% of the average amount of insurance in force for the last ~~5~~ 3 years prior to retirement.

In determining benefits under this section the ~~15%~~ reductions shall become effective at 12:01 a.m. of the day following the first year anniversary of the date of retirement and each succeeding retirement anniversary thereafter until the minimum has been reached.

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

B. On retirement for occupational disability, the amount of insurance in force at the time of retirement shall be continued in force at no cost to the state employee or teacher until attainment of the age of 60, after which said amount shall be reduced at the rate of ~~15%~~ **10%** per year to a minimum of ~~25%~~ **50%** of said amount and the maximum amount of insurance in force after attaining age 70 shall be ~~25%~~ **50%** of the amount in force at time of retirement.

Sec. 3. R. S., T. 5, § 1151, sub-§ 7, amended. The last paragraph of subsection 7 of section 1151 of Title 5 of the Revised Statutes, as amended, is further amended to read as follows:

Anything to the contrary notwithstanding, any dividends, premium rate adjustments or accumulations developed for any reason shall be used either to reduce or eliminate any contribution otherwise required from the Unappropriated Surplus of the General Fund or to increase benefits to state employees ~~and~~, teachers **and retirees** and Justices of the Supreme Judicial Court and Justices of the Superior Court and Judges of the District Court, as the board of trustees and the Advisory Council on Group Life Insurance in their sole discretion shall order by means of uniform regulations necessary to implement such usage or usages.

STATEMENT OF FACTS

The present law applying to life insurance coverage for "retirees" provides a minimum coverage at age 70 of 25% of the average coverage which was in force during the five years prior to retirement. This plan became effective in 1955, about 14 years ago. Since then the purchasing power of the dollar has declined and costs, rising because of the inflation, have increased in excess of 50%. It is now time to consider a change in the life insurance plan for "retirees" and to determine the ways and means to finance the premium costs. The present law (Title 5, chapter 101, section 1151, subsection 9-A) provides, " . . . . the average amount of insurance in force for the last 5 years prior to retirement shall be continued in force at no cost to the state employee or teacher, ... "

Over the years, the premium costs have been paid by using the dividends which have accrued under the basic insurance plan. To date, they have been sufficient to pay the premiums without requesting additional money from the State or by assessing a higher premium rate. A study conducted by the Board of Trustees, Maine State Retirement System by an actuarial concern recommended the use of accumulated dividends to pay the additional cost that would result from a change of 25% minimum life insurance coverage to a 50% minimum.

The Retirement System has approximately $725,000 on deposit which represents dividends received from the so-called supplemental life insurance plan. It has been proposed that this money be used to place the minimum coverage of 50% in effect. However, a ruling from the Attorney General's Department indicates the money cannot be used for this purpose. Already over $2,500,000 in dividends received from the basic plan has been used to pay premium costs. It appears from the Attorney General's ruling, legislation is needed to clarify the law and permit the use of all dividends which are received to help finance the life insurance costs for "retirees." It should also be made clear by the Legislature what source of funds would finance any deficiency in the future if the dividends were not sufficient to pay the premium costs. This situation would appear unlikely to arise for a few years if the life experience of state employees and teachers continues at the present level. The present annual cost of premiums on retiree lives is approximately $355,000.