

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

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Legislative Document

No. 492

S. P. 184

In Senate, January 31, 1973

Referred to the Committee on Veterans and Retirement. Sent down for concurrence and ordered printed.

HARRY N. STARBRANCH, Secretary

Presented by Senator Richardson of Cumberland.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-THREE

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**AN ACT** Relating to Service Retirement Benefits under State Retirement System.

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

**Sec. 1. R. S., T. 5, § 1095, amended.** The first sentence of section 1095 of Title 5 of the Revised Statutes, as repealed and replaced by chapter 39 of the public laws of 1971, is amended to read as follows:

Each member shall make a contribution ~~in such an amount as the board of trustees, upon recommendation by the actuary, shall determine, provided said amount is not less than 5%~~ of 6.5% of earnable compensation.

**Sec. 2. R. S., T. 5, § 1095, amended.** The 2nd paragraph of section 1095 of Title 5 of the Revised Statutes, as enacted by section 1 of chapter 482 of the public laws of 1971, is repealed.

**Sec. 3. R. S., T. 5, § 1095, amended.** The next to the last paragraph of section 1095 of Title 5 of the Revised Statutes, as enacted by section 4-A of chapter 415 of the public laws of 1969, is amended to read as follows:

At no time shall the state matching share of the cost of the retirement system be increased due to the ~~change~~ **changes** in formula ~~from 1/70 to 1/60~~ and the change ~~in formula~~ from 5-year average highest compensation to 3-year average highest compensation. Any additional costs are to be borne by the members of the system.

**Sec. 4. R. S., T. 5, § 1121, sub-§ 2, ¶ A, sub-¶¶ (1) and (2), amended.** Subparagraph (1) as amended by section 5 of chapter 415 of the public laws of 1969 and subparagraph (2) as amended by section 2 of chapter 482 of the

public laws of 1971, of paragraph A of subsection 2 of section 1121 of Title 5 of the Revised Statutes, are further amended to read as follows:

(1) ~~1/60~~ 1/50 of his average final compensation multiplied by the number of years of his membership service, and

(2) If he has a prior service certificate in full force and effect, 1/50 of his average final compensation multiplied by the number of years, not to exceed 25, of his prior service or, if the member was formerly subject to the Revised Statutes of 1944, chapter 37, sections 212 to 241, 1/60 of his average final compensation multiplied by the number of years of his ~~prior teaching service rendered prior to July 1, 1942. Adjustments in benefits already being paid under this section shall be made by the board of trustees by applying a uniform 16 2/3% of benefits currently being paid for prior service under this subsection, said adjustment will be effective on the first monthly payroll of January, 1972~~

Sec. 5. R. S., T. 5, § 1121, sub-§ 2, ¶ A, sub-¶ (2-A), additional. Paragraph A of subsection 2 of section 1121 of Title 5 of the Revised Statutes, as amended, is further amended by adding a new subparagraph (2-A) to read as follows:

(2-A) If the member was formerly subject to the Revised Statutes of 1944, chapter 37, sections 212 to 241, 1/50 of his average final compensation multiplied by the number of years or parts of years of service, in no instance can this be more than 5 years, for which he has a prior service certificate in full force and effect for teaching service between July 1, 1942 and July 1, 1947. Adjustments in benefits already being paid under this section shall be made by the board of trustees and shall be effective as of the first day of the month following the effective date of this Act.

Sec. 6. R. S., T. 5, § 1121, sub-§ 2, ¶ A, sub-¶ (3), amended. Subparagraph (3) of paragraph A of subsection 2 of section 1121 of Title 5 of the Revised Statutes, as enacted by section 6 of chapter 415 of the public laws of 1969, is amended to read as follows:

(3) Each person receiving a retirement allowance shall become entitled to a recomputation of benefits based upon the change in formula to a ~~1/60~~ 1/50 and such amount, exclusive of retirement allowance adjustments as granted under section 1128, shall be paid. Said recomputation and payments therefor shall become effective ~~on January 1, 1970~~ as of the first day of the month following the effective date of this Act. Such adjustments as may have been granted under section 1128 shall not be changed, improved or impaired.

Sec. 7. R. S., T. 5, § 1121, sub-§ 2, ¶ A, sub-¶ (4), amended. Subparagraph 4 of paragraph A of subsection 2 of section 1121 of Title 5 of the Revised Statutes, as enacted by section 6 of chapter 415 of the public laws of 1969, is amended to read as follows:

(4) Any member who has 10 or more years of creditable service at retirement shall be entitled to a minimum of ~~\$80~~ \$100 per month, further any

former state employee or teacher who had 10 or more years of creditable service and who is receiving a retirement allowance including such adjustments as have been provided by section 1128, which is less than ~~\$\$~~ \$100 per month, shall be increased to ~~\$\$~~ \$100 per month ~~as of January 1, 1970~~ the first day of the month following the effective date of this Act.

**Sec. 8. R. S., T. 5, § 1121, sub-§ 3, amended.** Subsection 3 of section 1121 of Title 5 of the Revised Statutes is amended to read as follows:

3. **Creditable service of 25 years.** Any member who has completed ~~30~~ 25 or more years of creditable service may retire any time prior to the attainment of age 60 and receive a service retirement allowance upon written application to the board of trustees setting forth at what time he desires to be retired. The retirement allowance shall be determined in accordance with subsection 2, paragraph A, but shall be at a reduced amount determined by applying to the retirement allowance the percentage that a life annuity due at age 60 bears to the life annuity due at the age of retirement, subject to subsection 4. For this purpose the tables of annuities as approved by the board of trustees at the date of retirement shall be used.

**Sec. 9. R. S., T. 5, § 1121, sub-§ 5, amended.** Subsection 5 of section 1121 of Title 5 of the Revised Statutes, as amended by section 2 of chapter 439 of the public laws of 1965, is further amended to read as follows:

5. **Teachers.** Any teacher who began to teach in the public schools of Maine prior to July 1, 1947 and has attained 60 years of age shall, upon proper application and verification of at least 15 years of such teaching service, be granted a minimum monthly benefit of ~~\$\$~~ \$100. If, by virtue of length of teaching service in Maine and using the formula of ~~1/70 of average final compensation times the years so taught and verified~~ detailed under subsection 2, paragraph A, subparagraph 2-A, a greater monthly benefit is developed, then the greater amount shall be paid. Proper adjustments in benefits already being paid under this section shall be made, in those cases affected, on the first monthly pension payroll subsequent to March 3, 1962.

**Sec. 10. R. S., T. 5, § 1122, sub-§ 1, ¶ B, amended.** Paragraph B of subsection 1 of section 1122 of Title 5 of the Revised Statutes, as amended by section 7 of chapter 415 of the public laws of 1969, is further amended to read as follows:

B. Upon retirement in accordance with paragraph A a member shall receive a retirement allowance determined as follows, or, if eligible, a service retirement allowance determined in accordance with section 1121, if greater: An amount equal to 90% of ~~1/60~~ 1/50 of his average final compensation multiplied by the number of years of his creditable service, if such retirement allowance exceeds 25% of his average final compensation; otherwise an amount equal to 25% of his average final compensation, provided such allowance shall not exceed 90% of ~~1/60~~ 1/50 of his average final compensation multiplied by the number of years which would be creditable to him were his creditable service to include the period from the time of retirement to the attainment of age 60. At the death of the member after retirement the excess, if any, of his accumulated contributions at the time of his re-

retirement over the portion of the total retirement allowance payments, actually made to him during his lifetime, which is the actuarial equivalent of such accumulated contributions, shall be paid in a lump sum to such person, if any, as he has nominated by written designation duly acknowledged and filed with the board of trustees, otherwise his estate.

Each person receiving a retirement allowance shall become entitled to a recomputation of benefits based upon the change in formula provided by this chapter and such amount, exclusive of retirement allowance adjustments as granted under section 1128, shall be paid. Said recomputation and payments therefor shall become effective ~~on January 1, 1970~~ as of the first day of the month following the effective date of this Act. Such adjustments as may have been granted under section 1128 shall not be changed, improved or impaired.

Except that any member, who application for a disability retirement allowance is approved and who has 25 or more years of creditable service and who has not attained age 60, shall be entitled to a disability retirement allowance, the computation for which shall be 90% of ~~1/60~~ 1/50 of his average final compensation multiplied by the number of years which would be creditable to him were his creditable service to include the period from the time of retirement to the attainment of age 60. If the member has 30 or more years of creditable service and is retired for reasons of disability prior to the attainment of age 60 under a service retirement allowance determined in accordance with section 1121, such retirement allowance shall not be subject to the reduction prescribed by section 1121, subsection 3 for service retirement prior to the attainment of age 60, provided that the member prior to retirement undergo the medical examination required for approval of retirement for ordinary disability under paragraph A, and, subsequently until attainment of age 60, undergo the periodic medical examinations required of persons retired for disability under subsection 3.

Any recipient of a disability retirement allowance ~~at September 23, 1971~~ on the effective date of this Act shall be entitled to a review and a recomputation of benefits and if this amount is greater than that being paid then an adjustment shall be made, without retroactivity, and shall become effective on the first day of the next following month.

#### STATEMENT OF FACT

A valuation of the retirement fund has been completed by the actuary of the Retirement System. The result provided new assumptions for various segments of the fund. They did not vary greatly from those which were previously used. One of the major changes is the earnings assumption rate which was determined from information provided by money managers of the fund. The money managers forecast earnings of 8½% to 15% annually. Following the reports of the managers and after lengthy discussion the Board of Trustees established a minimum investment earning guideline for the managers of 8% per year.

Studies by the actuary found the System to be in excellent financial condition and he recommended to the Board specific changes in assumptions which the Board voted to accept. Basically, this will allow a change in the present retirement formula, from  $1/60$ th to  $1/50$ th plus \$100 per month minimum retirement allowance for State employees and teachers. In order for this change to be fully funded it will require the State employees and teachers to contribute an additional 1.5% making a total contribution of 6.5% of their salaries. No appropriation will be required from the State to pay for the increased benefits which are being requested for state employees and teachers.

The Maine State Employees Association and the Maine Teachers Association comprised of some 30,000 members have expressed approval of the increased rate to make these benefits a reality.