FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document No. 892

S. P. 306 In Senate, March 2, 1979

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

Presented by Senator Collins of Knox.

MAY M. ROSS, Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED SEVENTY-NINE

AN ACT to End Subsidized Early Retirement Payments Under the Maine State Retirement System Statute.

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

Sec. 1. 5 MRSA § 1121, sub-§ 3, 2nd sentence, as last amended by PL 1973, c. 542, § 8, is amended to read:

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~~ **the present value of a deferred** life annuity due at age 60 bears to the **present value of a** life annuity due at the age of retirement, subject to subsection 4.

Sec. 2. Effective date; application. This Act shall take effect July 1, 1980 and shall apply only to those persons who became members of the Maine State Retirement System on or after July 1, 1978.

STATEMENT OF FACT

The retirement benefits of teachers and regular state employees who retire prior to age 60 are classified as subsidized early retirement benefits since the amount of the early retirement benefits are of greater amount than the actuarial equivalent of the benefits that have accrued to commence at age 60. (Report of Maine State Retirement System for the fiscal year ending June 30, 1977 - page 17 of Actuary Robert Towne's report.)

The present actuarial equivalents now in use encourage teachers and regular state employees to retire early because of the financial advantages over regular retirement. Those who retire before age 60 receive a greater amount in relationship to what would normally be allocated to an early retiree with true actuarial equivalents in use.

The utilization of the present actuarial equivalents has resulted in an actuarial loss of $3,400,000 for the past fiscal year and will threaten to increase annually. This drain of $3,400,000 from the Retirement Fund adds to the increasing unfunded liability of the fund.

This bill, by changing the retirement computation so that true actuarial equivalents would be used, will correct this inequality.