

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1367

H. P. 1145

House of Representatives, March 18, 1981

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

EDWIN H. PERT, Clerk

Presented by Representative Nelson of Portland.

Cosponsor: Senator Teague of Somerset.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Separate the Funding of Old System Teachers in the Maine State Retirement System.

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

Sec. 1. 5 MRSA § 1001, sub-§ 14-A is enacted to read:

14-A. Old system teacher. "Old system teacher" means any teacher who began teaching prior to September 1, 1924, and who was not subject to the Revised Statutes of 1944, chapter 37, section 212 to 241.

Sec. 2. 5 MRSA § 1062, sub-§ 1, as amended by PL 1965, c. 337, § 1, is further amended to read:

1. Funds. All of the assets of the retirement system shall be credited, according to the purpose for which they are held, among ~~5~~ 6 funds, namely, the Members' Contribution Fund, the Retirement Allowance Fund, the Old System Teachers' Retirement Allowance Fund, the Expense Fund, the Survivors' Benefit Fund and the Retirement Allowance Adjustment Fund.

Sec. 3. 5 MRSA § 1062, sub-§ 3, ¶ A is amended to read:

A. The Retirement Allowance Fund shall be the fund in which shall be accumulated all reserves required for the payment of benefits under this

chapter other than reserves in the Members' Contribution Fund, the **Old System Teachers' Retirement Allowance Fund** and the Survivors' Benefit Fund.

Sec. 4. 5 MRSA § 1062, sub-§ 3, ¶ C, first sentence, as repealed and replaced by PL 1969, c. 45, § 4, is amended to read:

The employer contribution rate shall be determined as the percentage of the members' compensation payable during the members' periods of membership required to provide the difference between the total liabilities for retirement allowances, **excluding those allowances for old system teachers**, not provided by the members' contributions and the amount of the assets in the Retirement Allowance Fund.

Sec. 5. 5 MRSA § 1062, sub-§ 3, ¶ F is amended to read:

F. All benefits payable under this chapter shall be paid from the Retirement Allowance Fund except those payable from the Members' Contribution Fund, the **Old System Teachers' Retirement Allowance Fund** and the Survivors' Benefit Fund, or as otherwise specifically provided in this chapter.

Sec. 6. 5 MRSA § 1062, sub-§ 3, ¶ G, first sentence is amended to read:

All interest and dividends earned on the funds of the retirement system shall be credited to the Retirement Allowance Fund, **except as provided by subsection 3-A.**

Sec. 7. 5 MRSA § 1062, sub-§ 3-A is enacted to read:

3-A. Old System Teachers' Retirement Allowance Fund. The Old System Teachers' Retirement Allowance Fund shall be the fund in which shall be accumulated all reserves required for the payment of benefits under this chapter to old system teachers. This shall include payment adjustments to retirement benefits as provided under section 1128.

On account of each old system teacher, there shall be paid annually into the Old System Teachers' Retirement Allowance Fund by the State an amount which is at least sufficient, when combined with the amount in the Old System Teachers' Retirement Allowance Fund, to provide the benefits payable out of the fund, including any adjustments required by section 1128, during the year then current. Additional amounts to amortize the unfunded accrued benefit reserve or to fund future accrued liabilities may be paid into the fund.

All benefits to old system teachers payable under this chapter shall be paid from the **Old System Teachers' Retirement Allowance Fund.**

Interests and dividends earned on the funds of the retirement system shall be credited to the **Old System Teachers' Retirement Allowance Fund** in proportion to the amount of money from the **Old System Teachers' Retirement Allowance Fund** which has been invested.

Sec. 8. 5 MRSA § 1062, sub-§ 7 ¶ A, as enacted by PL 1965, c. 337, § 2, is amended to read:

A. The Retirement Allowance Adjustment Fund shall be the fund in which shall be accumulated all reserves required for the payment of adjustments as provided under section 1128, except those reserves established for old system teachers.

Sec. 9. 5 MRSA § 1062, sub-§ 7, ¶C, first sentence, as enacted by PL 1965, c. 337, § 2, is amended to read:

Once each year the actuary shall determine the amounts that have been expended to meet the costs of any adjustments made to retired persons, **other than old system teachers**, and shall transfer such amounts to the Retirement Allowance Fund.

Sec. 10. 5 MRSA § 1062, sub-§ 9 is enacted to read:

9. Benefits; assets. Notwithstanding any other provision of law, no funds from the Members' Contribution Fund, the Retirement Allowance Fund, the Expense Fund or the Retirement Allowance Adjustment Fund may be used to pay benefits to old system teachers. Nothing in this section prevents the board of trustees from combining the assets of the Old System Teachers' Retirement Allowance Fund with the other assets of the system for purposes of investment.

STATEMENT OF FACT

This bill establishes a separate fund for old system teachers and allows it to be funded on a pay-as-you-go basis. In reality, the old system teachers have been funded on a less than pay-as-you-go basis for over 20 years. Since 1958, over \$141,000,000 in principal and interest has been "borrowed" from other retirement accounts to fund the old system teachers. This bill will prevent any more borrowing and will protect the benefits earned by current retirees.