

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
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3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 1274

6
7 S.P. 471

In Senate, April 9, 1985

8 Submitted by the Maine State Retirement System pursuant to Joint Rule
9 24.

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

JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Gauvreau of Androscoggin.

11 Cosponsored by Representative Dellert of Gardiner, Senator Clark of
Cumberland and Representative Perry of Mexico.

12 STATE OF MAINE
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14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-FIVE
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17 AN ACT to End Subsidized Early Retirement
18 Payments Under the Maine State
19 Retirement System Laws.
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21 Be it enacted by the People of the State of Maine as
22 follows:

23 Sec. 1. 5 MRSA §1121, sub-§3, as amended by PL
24 1973, c. 542, §8, is further amended to read:

25 3. Creditable service of 25 years. Any member
26 who has completed 25 or more years of creditable ser-
27 vice may retire any time prior to the attainment of
28 age 60 and receive a service retirement allowance
29 upon written application to the board of trustees
30 setting forth at what time he desires to be retired.
31 The retirement allowance shall be determined in ac-
32 cordance with subsection 2, paragraph A, but shall be
33 at a reduced amount determined by applying to the
34 part of the retirement allowance based upon credit-
35 able service prior to January 1, 1986, the percentage
36 that a life annuity due at age 60 bears to the life

1 annuity due at the age of retirement, ~~subject to sub-~~
2 ~~section 4~~ and by applying to the part of the retire-
3 ment allowance based upon service subsequent to De-
4 cember 31, 1985, the percentage that the present val-
5 ue of a life annuity deferred to age 60 bears to the
6 present value of a life annuity at the age of
7 retirement. For this purpose the tables of annuities
8 as approved by the board of trustees at the date of
9 retirement shall be used.

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STATEMENT OF FACT

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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.

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

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The utilization of the present actuarial equivalents has resulted in an actuarial loss of \$1,236,000 during the fiscal year ending June 30, 1983, and will threaten to increase annually. This drain from the Maine State Retirement Fund adds to the increasing unfunded liability of the fund.

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Based upon calculations made by the Maine State Retirement System actuary, passage of this bill saves the State in excess of \$55,000,000 over the next 25 years.

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