

MAINE STATE LEGISLATURE

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MAINE PUBLIC DOCUMENTS

1944-1946

(in three volumes)

VOLUME III

Report

of the

State Employees' Retirement System

of the

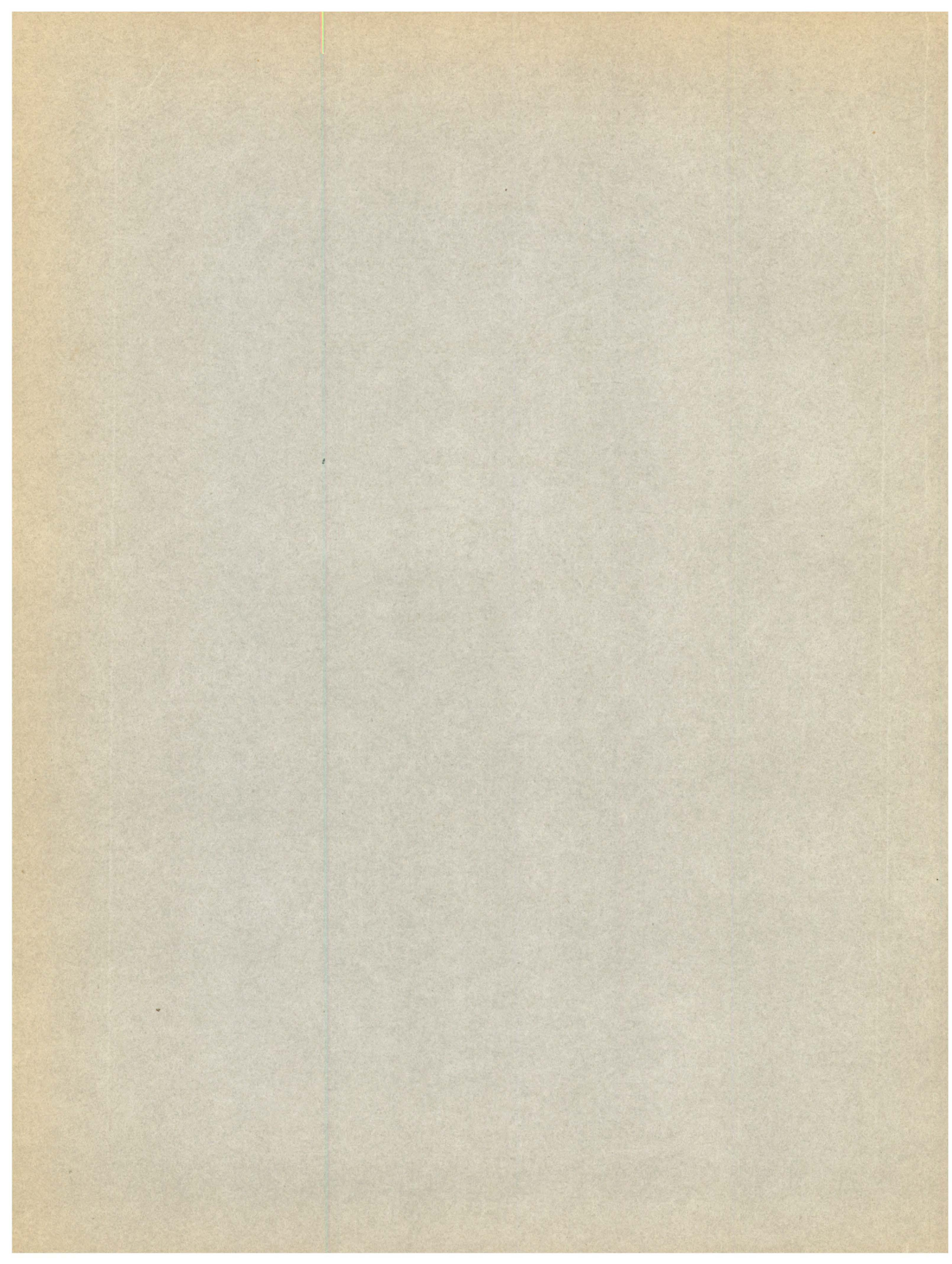
State of Maine

for the

Fiscal Biennium Ended June 30, 1946

As submitted by the
Board of Trustees

December 31, 1946



REPORT

of the

STATE EMPLOYEES' RETIREMENT SYSTEM

of the

STATE OF MAINE

for the

FISCAL BIENNIUM ENDED JUNE 30, 1946

As submitted by the

BOARD OF TRUSTEES

December 31, 1946

MAINE STATE EMPLOYEES' RETIREMENT SYSTEM

Administrative Personnel

BOARD OF TRUSTEES

Edward F. Dow, Chairman, Orono (Resigned September 1946)
Harold E. Rodgers, Chairman, Saco (Appointed October 1946)
H. H. Harris, Member, Ex Officio, Augusta
Fred W. Hollingdale, Member, Ex Officio, Augusta
Neil Bishop, Member, Bowdoinham
James J. George, Member, Waterville

ACTUARY

Alfred Perkins, Augusta

MEDICAL BOARD

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Roland L. McKay, M. D., Member, Augusta
Adam P. Leighton, M. D., Secretary, Portland

SECRETARY

Earle R. Hayes, Windsor

Offices in
Vickery and Hill Building
Augusta, Maine

The Report of the Board of Trustees of the Maine State Employees' Retirement System for the two fiscal years of operation ended June 30, 1946 is hereby submitted in accordance with the provisions of Section 15, Chapter 38 Revised Statutes, whereby, Departmental Reports are to be submitted once every two years and cover the two fiscal years immediately preceding each regular session of the Legislature.

The law as enacted by a special session of the Legislature held in January 1942 became operative as of July 1, 1942. It set up a Board of Trustees which is vested with broad powers as to its administration, provided for a Secretary who shall be its chief administrative officer, a consulting Actuary and a Medical Board.

The staff consists of 5 clerks, 1 half-time Accountant, an Actuary, who is retained on a consultant basis, and the Secretary. One of the clerks is engaged full time on ledger accounts, one full time on actuarial records, and the other three devote their time on an evenly divided basis between personnel and retirement record work and detail. This arrangement and allocation of duties appears to be most satisfactory and equitable from the standpoint of both systems.

The Retirement Law, except for certain special privileges granted by amendments enacted at the 1943 Legislative Session, gives to all state employees who become members of the System, the right to retire at any time after attaining age 65, and makes retirement compulsory at age 70.

All of the Prior Service liability that is, service rendered prior to July 1, 1942, is paid for by the State, on the basis of actuarial computations as required under the law. The liability created by Membership Service, that is, service rendered to the State subsequent to July 1, 1942, is covered by funds paid into the System by the employees and the State jointly.

During the two year period covered by this report, several changes took place which are worthy of note. The first change in the law that was obviously apparent occurred when the report of the Committee on the Revision of the Statutes was presented to the special Legislative session in November, 1944. The law itself suffered no fundamental change, but the format, thanks to Mr. Slosberg, Revisor of Statutes and the Revision Committee was very definitely changed and for the better.

Instead of the multitude of alphabetically lettered and numbered sub-sections, the revision set the law up in orderly sequence, with numbered main sections, the paragraphs of each section being identified by roman numerals and each sub-section, thereof, by capital letters.

At the regular session of the Legislature in 1945, the law was amended to provide for a five member Board of Trustees. This in effect added two new members. The Governor appointed Senator Neil Bishop of Bowdoinham as the representative of the public and James J. George of Waterville, as the representative of the State Employee group.

A special Legislative Recess Committee was created, whose particular function was to consider the combining of all State Retirement

Systems and make their report and recommendations to the 1947 regular session.

Several other bills were introduced proposing major and minor changes in the law. Few of these proposals received favorable action. Practically none of those proposing major changes were enacted. The subject matter of these measures in effect was referred to the newly created recess committee for such study and consideration as it might care to give it.

The section of the law providing for Participating Local Districts was amended to permit the admission to the system of Water Districts and other quasi-municipal agencies.

Shortly after the completion of the organization of the augmented Board of Trustees earlier in the current fiscal biennium, one of the most difficult problems that confronted them was the apparent public demand for a more rigid control of extension of service of those employees who had attained the compulsory retirement age of 70. The net result of the more careful scrutiny of all requests for such extensions of service brought about a sharp rise in the number of retirees whose former jobs were filled for the most part with returned veterans of World War II.

Under the law, the Board of Trustees are required to keep all but 10% of the available funds of the System invested in such securities as are legal for savings banks. To date, practically all surplus funds have been invested in United States Government Bonds, and it will be

noted by referring to the appended schedule of investments that as of June 30, 1946, the System then had \$1,672,000.00 so invested.

Eight local governmental quasi-municipal agencies have become members of the State System during the period covered by this report.

They are:

South Portland as of September 1, 1944

Houlton as of January 1, 1945

County of Penobscot as of January 1, 1945

Ellsworth as of January 1, 1946

Kittery Water District as of February 1, 1946

Kittery as of April 1, 1946

Bar Harbor as of April 1, 1946

Mount Desert as of April 1, 1946

Several other such agencies are seriously considering the desirability of affiliating with the State System, and some have already had a valuation survey and report made by the actuary.

NOTE

Due to the lapse of time between the actual closing date of this report, that is, June 30, 1946, and the date of its release, namely December 31, 1946, we believe it is of interest to note here, that during that period three more Participating Local Districts have been added to the system, bringing the total as of now to 16.

Any county, city, town, water district or other quasi-municipal agency in the State of Maine not already in the system, is invited to look into the details of the plan. The Secretary and the Actuary of the system are always available for consultation and assistance in this connection. The guaranteed benefits to be derived from this State System cannot be bought from any other insurance carrier, at anywhere near as little money as it will cost under the State plan. Nothing enters into the computations which determine the amount of contributions to be made other than the actual amounts necessary to establish the required reserves out of which all retirement benefits are to be paid.

The Board of Trustees and the Administrative Staff appreciates the desirability and perhaps in some instances the practical necessity of further changes and amendments in the law. In the first category are those proposals of interested groups for broader and more liberal coverage and benefits. In the second category are those which have developed in the course of day by day administration of the System.

No recommendations for any changes, however, are to be made here.

Practically all changes that have been suggested at one time or another, during the past biennium, have been referred to the Special Legislative Recess Committee, since the consideration of all such matters appeared to be their special function.

It is our understanding that a substantial number of the suggested changes are incorporated in the Revised Retirement System

Bill which the said Committee is reporting to the 1947 Legislature.

At this point, it seems appropriate that mention be made of the excellent war time service rendered to the System by Mr. A. Thomas Lehman of Portland, who served as Acting Actuary during the absence on account of service in the Navy of the regular Actuary of the System, Mr. Alfred Perkins.

Mr. Lehman did a most excellent job and rendered to the many interested parties, service and information far in excess of anything for which he received monetary remuneration.

Mr. Perkins returned to his regular State job as Commissioner of Insurance and Actuary of the Retirement System in January, 1946 and the Actuarial report and schedules included in this report were prepared by him.

While we are handing out commendation for valuable service rendered to the State Employees' Retirement System, we want to mention Dr. Edward F. Dow of the University of Maine and express to him our sincere thanks and appreciation for his valuable service as Chairman of the Board of Trustees of the State Employees' Retirement System.

Dr. Dow's service, as a member of the Board of Trustees, began with the inception of the System on July 1, 1942, since he was then serving as Chairman of the State Personnel Board and the Retirement Law provides that the Chairman of that Board shall be a member of the State Employees' Retirement Board of Trustees.

Dr. Dow served in the dual capacity of Chairman of both boards until his resignation from the State Personnel Board in September, 1946.

The fourth valuation report of the actuary is appended hereto, and made a part of this report. It is followed by a statement of the actual cash assets of the System as prepared by the State Controller as of June 30, 1946, a schedule covering the detail of investment of the funds of the System, statements indicating the number of members and employees retired or on retirement during the period ended June 30, 1946, and a statement covering the cost of administration of the System for the fiscal biennium ended June 30, 1946.

Board of Trustees

EDWARD F. DOW, CHAIRMAN
H. H. HARRIS, MEMBER
FRED W. HOLLINGDALE, MEMBER
NEIL S. BISHOP, MEMBER
JAMES J. GEORGE, MEMBER

ALFRED W. PERKINS, ACTUARY
EARLE R. HAYES, SECRETARY



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ROLAND L. MCKAY, M. D., AUGUSTA
ADAM P. LEIGHTON, M. D., PORTLAND
SECRETARY

State of Maine
EMPLOYEES' RETIREMENT SYSTEM
AUGUSTA

Augusta, Maine
December 3, 1946

Board of Trustees
Maine Employees' Retirement System
Augusta, Maine

Gentlemen:

I am pleased to present herein the fourth valuation report of the Assets and Liabilities of the Employees' Retirement System as of June 30, 1946.

The total membership valued was 3,846, including 308 pensioners, all employed by the State and 614 employed by participating districts. For the districts there were 448 men and 166 women. The participating districts included in the valuation were Presque Isle, Portland, Millinocket, County of Cumberland, South Portland, County of Penobscot, Camden, Houlton, Kittery Water District, Town of Kittery, Ellsworth, Bar Harbor, and Mount Desert.

Following is the Actuarial Balance Sheet covering the system including the participating districts subject to valuation:

ACTUARIAL BALANCE SHEET
 June 30, 1946
 STATE AND PARTICIPATING LOCAL DISTRICTS

ASSETS

Annuity Savings Fund	\$	912,507.15	
Annuity Reserve Fund		36,309.32	
Pension Accumulation Fund		807,265.42	
Total of above funds			\$ 1,756,081.89
Present Value of Prospective Contributions as follows:			
Accrued Liability Contributions		6,225,047.26	
Normal Contributions		3,706,075.00	
Total of such contributions			9,931,122.26
Total Assets			\$ 11,687,204.15

LIABILITIES

Annuity Savings Fund			912,507.15
Annuity Reserve Fund			49,560.00
Pension Accumulation Fund			
Present Value of prospective benefits to active members on account of:			
Service prior to membership		\$4,241,410.00	
Past Membership Service		631,637.00	
Future Membership Service		2,796,579.00	
Disability Benefits		402,708.00	8,072,334.00
Present Value of benefits now being paid to Pensioners retired by the system on account of:			
Prior Service		1,616,295.00	
Membership Service		53,941.00	1,670,236.00
Present Value of benefits now being paid to Pensioners not retired by the system			982,567.00
Total Liabilities			\$11,687,204.15

ANNUITY SAVINGS FUND

The Annuity Savings Fund is the fund in which is accumulated the amounts contributed by employees to pay part of their retirement benefits. Until they do retire the amount in this fund is shown both as an asset and as a liability.

ANNUITY RESERVE FUND

The Annuity Reserve Fund is the fund from which is paid all annuities and benefits in lieu of annuities. It is made up of reserves transferred from the Annuity Savings Fund upon retirement of members.

PENSION ACCUMULATION FUND

In this fund is accumulated all reserves for the payment of pensions and other benefits payable from contributions made by the State. From this fund is paid all pensions and other benefits on account of members with prior service credit payable from said contributions.

NORMAL CONTRIBUTION PERCENTAGE

Normal Contributions necessary to be made to the Pension Accumulation Fund from funds indicated below arrived at by multiplying total salaries of members of such Funds by 3.22% in accordance with provisions of law:

Fund	Number of Members	Salaries	Normal Contributions	
			1947-48 3.22%	1948-49 3.22%
General	2,444	\$ 4,758,624	\$ 153,227.69	\$ 153,227.69
State Highway	726	1,574,656	50,703.92	50,703.92
M. U. C. C.	107	204,932	6,598.81	6,598.81
Liquor Commission	250	515,320	16,593.30	16,593.30
Maine Port Authority	11	15,805	508.92	508.92
Total	3,538	\$ 7,069,337	\$ 227,632.64	\$ 227,632.64

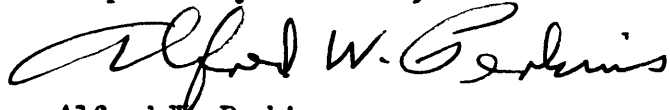
ACCRUED LIABILITY PERCENTAGE

Accrued Liability contributions necessary to be made to the Pension Accumulation Fund from Funds indicated below arrived at by multiplying total salaries of members of such Funds by 3.48% for first year of Biennium and figuring 103% of that amount for the second year as required by law:

Fund	Number of Members	Salaries	Accrued Liability	
			1947-48	1948-49
General	2,444	\$ 4,758,624	\$ 165,666.74	\$ 170,634.74
State Highway	726	1,574,656	54,820.07	56,464.01
M. U. C. C.	107	204,932	7,134.50	7,348.45
Liquor Commission	250	515,320	17,940.35	18,478.34
Maine Port Authority	11	15,805	550.24	566.74
Total	3,538	\$ 7,069,337	\$ 246,111.90	\$ 253,492.28

A statement of the Income, Expenditures and Actual Assets of the System as prepared by the State Controller is appended.

Respectfully submitted,



Alfred W. Perkins
Actuary

EMPLOYEES CONTRIBUTORY RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1946

ASSETS

Cash on Hand	\$ 82,252.59
Accounts Receivable	6,558.72
Investments	
U. S. Government Securities	1,672,000.00
	<hr/>
Total Assets	\$1,760,811.31

LIABILITIES

Accounts Payable	391.72
Prepaid Contributions	4,298.66
	<hr/>
Total Liabilities	\$ 4,690.38

RESERVE

Annuity Savings Fund	912,507.15
Annuity Reserve Fund	36,309.32
Pension Accumulation Fund	807,265.42
Authorized Expenditures	39.04
	<hr/>
Total Reserve	\$1,756,120.93
	<hr/>
Total Liabilities and Reserve	\$1,760,811.31
	<hr/> <hr/>

SCHEDULE SHOWING DETAIL OF TRANSACTIONS
OF THE INVESTMENTS OF FUNDS OF THE RETIREMENT
SYSTEM FOR THE PERIOD JULY 1, 1944 THROUGH JUNE 30, 1946

Total (par value) of investments on July 1, 1944	<u>Purchased</u>	<u>Sold</u>	768,000.00
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Date	<u>INVESTMENT</u>	Purchased	Sold
7-1-44	U. S. Treasury 2 $\frac{1}{2}$ -65/70	80,000.00	
10-17-44	U. S. Treasury 2 $\frac{1}{2}$ -64/69	100,000.00	
1-5-45	U. S. Treasury 2 $\frac{1}{2}$ -66/71	100,000.00	
2-19-45	U. S. Treasury 2 $\frac{1}{2}$ -57	50,000.00	
4-16-45	U. S. Treasury 2 $\frac{1}{2}$ -57	50,000.00	
6-13-45	U. S. Treasury 2 $\frac{1}{2}$ -67/72	90,000.00	
6-20-45	U. S. Treasury 2 $\frac{1}{2}$ -66/71		10,000.00
	Total	470,000.00	10,000.00

Net Purchases for period 7-1-44 through 6-30-45	460,000.00
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7-20-45	U. S. Treasury 2 $\frac{1}{2}$ -67/72	100,000.00	
12-3-45	U. S. Treasury 2 $\frac{1}{2}$ -67/72	882,000.00	
1-11-46	U. S. Treasury 2 $\frac{1}{2}$ -67/72	100,000.00	
4-18-46	U. S. Treasury 2 $\frac{1}{2}$ -58	100,000.00	
11-30-45	U. S. Treasury 2 $\frac{1}{2}$ -63/68		50,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -64/69		140,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -64/69		13,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -65/70		100,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -64/69		100,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -65/70		65,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -65/70		80,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -64/69		100,000.00
	U. S. Treasury 2 $\frac{1}{2}$ -66/71		90,000.00
	Total	1,182,000.00	738,000.00

Net Purchases for period 7-1-45 through 6-30-46	444,000.00
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TOTAL INVESTMENTS as of 6-30-46	1,672,000.00
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Progress of Membership - State Employees

Year Commencing July 1st	New Members	Terminations			Total Members	Year Ending June 30th
		Withdrawals	Deaths	Retired		
1942	2762	100	2	17	2643	1943
1943	456	175	24	35	2865	1944
1944	761	230	24	65	3307	1945
1945	758	318	24	90	3633	1946
Totals	<u>4737</u>	<u>823</u>	<u>74</u>	<u>207</u>	<u>3633</u>	

Summary of Retired Members

Year Commencing July 1st	New Pensioners	Deaths	Re-employed	Total Pensioners	Year Ending June 30th
1942	127	0	0	127	1943
1943	0	2	0	125	1944
1944	0	4	0	121	1945
1945	3	7	0	117	1946
Totals	<u>130</u>	<u>13</u>	<u>0</u>	<u>117</u>	

Retired by Employees' Retirement System

1942	17	0	0	17	1943
1943	35	1	0	51	1944
1944	65	5	2	109	1945
1945	90	8	0	191	1946
Totals	<u>207</u>	<u>14</u>	<u>2</u>	<u>191</u>	
Grand Total	337	27	2	308	

Schedule of Retired Members

Retired by Employees' Retirement System

	<u>Number Retired</u>	<u>Amount of Monthly Pension</u>		
		<u>Annuities</u>	<u>Pensions</u>	<u>Total Allowance</u>
Allowances for Retirement under:				
Normal Option				
Males	129	\$288.41	\$8,248.22	\$8,536.63
Females	39	66.13	2,402.05	2,468.18
Option #2				
Males	4	9.01	245.93	254.94
Females	0	0	0	0
Option #3				
Males	9	26.04	582.40	608.44
Females	2	1.39	41.59	42.98
Option #4				
Males	0	0	0	0
Females	1	.54	58.64	59.18
Disability				
Males	5	16.33	206.94	223.27
Females	2	4.61	48.76	53.37
Total Allowances as of June 30, 1946	191	\$412.46	\$11,874.53	\$12,246.99

Retired by Governor and Council

Males	69	0	\$6,044.27	\$6,044.27
Females	48	0	3,038.07	3,038.07
	<u>117</u>	<u>0</u>	<u>9,082.34</u>	<u>9,082.34</u>
	308	\$412.46	\$20,916.87	\$21,329.33

EMPLOYEES RETIREMENT SYSTEM

ADMINISTRATION EXPENSE FUND

	July 1, 1944 to June 30, 1945	July 1, 1945 to June 30, 1946
REVENUE		
Appropriation	9,882.28	10,000.00
Revenue from Participating Local Districts	<u>1,120.46</u>	<u>1,693.07</u>
	11,002.74	11,693.07
 EXPENDITURES		
Salaries	7,720.95	8,686.62
Medical and Professional Fees	1,892.45	1,546.00
Travel Expense	220.51	334.18
Telephone Service	79.03	163.27
Postage	67.50	69.31
Printing	297.23	245.07
Dues and Periodicals	----	11.00
Office Supplies and Equipment	709.07	518.60
Miscellaneous	<u>16.00</u>	<u>79.98</u>
Total Expenditures	11,002.74	11,654.03
Balance carried to next year		<u>39.04</u>
		11,693.07