

MAINE STATE LEGISLATURE

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CIVIL SERVICE RETIREMENT-

Maine
REPUBLIC

R E P O R T

of the

MAINE STATE RETIREMENT SYSTEM

for the

FISCAL BIENNIUM ENDED JUNE 30, 1954

FEB 18 1955

MAINE STATE RETIREMENT SYSTEM

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REPORT OF THE MAINE STATE RETIREMENT SYSTEM
FOR THE BIENNIUM ENDED JUNE 30, 1954

In accordance with the provisions of the Revised Statutes, the report of the Maine State Retirement System for the biennium ended June 30, 1954 is hereby submitted.

In view of the intensive study and review of the Maine State Retirement System and other related subjects that have been conducted by the Recess Study Committee created by the Legislature under the provisions of Chapter 82 of the Resolves of 1953 and the resulting detailed and exhaustive report to that Committee made by the consulting firm of Bowles, Andrews and Towne and the subsequent report of the Recess Committee, both of which have been submitted to the 97th Legislature, the following report of the activities of the Maine State Retirement System for the biennium ended June 30, 1954 is confined primarily to financial and statistical data.

The Maine State Retirement System as such was created by act of the Legislature at a special session held early in 1942 and became operative as of July 1 that year. The original act provided for retirement coverage for all State employees and employees of such political subdivisions of the State as might elect to affiliate with the State System.

In 1947 a general revision of the law was enacted by the Legislature, at which time all public school teachers were included under the general State retirement plan.

In 1951 the Legislature enacted Chapter 395 of the Public Laws of that year under the provisions of which the State Retirement System was named as the State Agency through the medium of which political subdivisions of the

State might secure Social Security coverage for the employees of such governmental units under such conditions as the Federal Social Security Act and the State Enabling Act imposed.

Up to the present time there are approximately 240 reporting units under the Social Security Program and it is anticipated that during the next biennium a substantial number of other political subdivisions of the State will take steps to cover their employees under this Program.

There are at the present time 43 Participating Local Districts operating under the provisions of the Maine State Retirement System including towns, cities, counties and certain other quasi-municipal agencies, and we are including in this report certain financial and statistical data with respect to these Districts as well as the employee and teacher groups.

To anyone interested in further detail with respect to the operations of the Maine State Retirement System we would refer them to the printed report of the consulting firm of Bowles, Andrews and Towne as submitted to the Legislative Recess Committee on the Maine State Retirement System and the report of the Recess Committee as submitted to the 97th Legislature.

MAINE STATE RETIREMENT SYSTEM

Comparative Balance Sheet
At June 30, 1954 Compared to June 30, 1953

	<u>ASSETS</u>	
	<u>1954</u>	<u>1953</u>
Cash, Demand Deposits	\$ 187,096.32	\$ 201,181.77
Accounts Receivable	\$16,975.96	\$6,632.59
Less Reserve for Uncollectable Accounts	<u>4.45</u> 16,971.51	<u>4.45</u> 6,628.14
Due from Other Funds	29,464.20	4,314.42
Investments, Bonds* (Schedule I)	19,919,265.83	17,359,434.76
Investments, Stocks ** (Schedule II)	<u>1,426,990.26</u>	<u>464,284.38</u>
TOTAL ASSETS	<u>\$21,579,788.12</u>	<u>\$18,035,843.47</u>

LIABILITIES and TRUST RESERVES

LIABILITIES

Accounts Payable	\$ 1,991.46	\$ 8.69
Prepaid Contributions	6,597.00	6,597.00
Reserve for Authorized Expenditures	<u>77.27</u>	<u>757.55</u>
TOTAL LIABILITIES	\$ 8,665.53	\$ 7,373.24

RESERVES

Annuity Savings Fund	10,733,596.16	8,515,654.99
Annuity Reserve Fund	769,563.75	583,408.70
Pension Accumulation Fund	8,174,441.02	7,141,787.90
Pension Reserve Fund	38,905.42	21,442.84
Teachers' Savings Fund	1,854,411.21	1,766,109.23
Suspense, Unsupported Collections	<u>204.83</u>	<u>76.53</u>
TOTAL RESERVES (SCHEDULE III, IV)	<u>\$21,571,122.39</u>	<u>\$18,028,480.19</u>
TOTAL LIABILITIES & TRUST RESERVES	<u>\$21,579,788.12</u>	<u>\$18,035,843.47</u>

* At cost, Less Ratable Amortization

** At Cost

MAINE STATE RETIREMENT SYSTEM

ANALYSIS of CHANGES in RESERVES
for the year

July 1, 1953 - June 30, 1954

<u>TOTAL RESERVES</u> , July 1, 1953		\$18,028,480.19
ADDITIONS		
Contributions & Transfers		
General Fund	\$2,020,606.16	
Highway Fund	214,866.83	
Employment Security Fund	68,373.81	
Liquor Fund	60,847.63	
Special Revenue Funds	172,203.89	
Individuals	2,487,123.66	
Participating Districts	377,678.65	
Earnings		
Interest on Bonds	\$543,110.18	
Less, Investment Costs	1,753.46	
Less, Accrued Interest on Purchases	13,955.18	
Less, Premium Amortization	<u>14,989.81</u>	
Net Interest Earned	\$ 512,411.73	
Dividends on Stock	31,581.87	
Profit on Sale of Securities	5,317.27	
Other Transfers		
Due from Other Funds	834.40	
Outstanding Checks Written Off	515.35	
Prior Year Adjustment	(68.44)	
Earnings Deficiency	32,804.53	
Prior Year Reserve	<u>757.59</u>	\$ 5,985,854.93
TOTAL ADDITIONS		<u>\$24,014,335.12</u>
DEDUCTIONS		
Pensions Paid	\$1,874,579.88	
Refunds	478,464.41	
Administration	78,623.63	
Lapsed to General Fund	7,153.12	
Reserve for Authorized Expenditures	77.27	
Military Leave, Teachers	<u>4,314.42</u>	\$ 2,443,212.73
<u>TOTAL RESERVES</u> , June 30, 1954		<u>\$21,571,122.39</u>

MAINE STATE RETIREMENT SYSTEM
Statement of Trust Fund Balances
June 30, 1954

	Annuity Savings Fund	Annuity Reserve Fund	Pension Accumulatio Fund
State Employees	\$ 4,720,431.22	\$468,064.42	\$3,193,818.59
City of Portland	388,047.82	55,505.29	227,941.07
Town of Millinocket	7,745.58	3,279.39	29,368.18
City of Presque Isle	19,603.23	- - -	28,018.90
County of Cumberland	43,979.03	9,931.17	64,672.29
Maine Port Authority	17,176.78	235.31	17,721.74
Teachers	4,778,278.16	9,702.88	3,301,151.77
Town of Camden	11,853.41	1,646.61	23,732.19
City of South Portland	94,182.40	3,177.16	97,983.33
Town of Houlton	31,975.38	176.34	40,171.14
County of Penobscot	28,033.10	229.29	58,367.19
Kittery Water District	8,864.09	- - -	15,489.19
City of Ellsworth	8,958.76	1,199.88	20,821.01
Town of Kittery	7,650.05	1,690.57	12,022.41
Town of Bar Harbor	21,921.00	1,254.22	33,131.26
Town of Mount Desert	9,530.70	1,243.92	9,526.86
Town of Fort Fairfield	21,301.97	235.76	14,778.86
City of Rockland	27,601.18	3,410.39	27,175.41
Bath Water District	7,257.50	2,547.14	12,875.89
City of Bangor	110,190.79	7,570.84	153,273.14
Boothbay Harbor Water System	2,222.50	1,094.98	(318.33)
Bangor Public Library	17,728.88	1,259.89	33,372.66
City of Augusta	67,311.20	6,031.36	75,229.20
City of Gardiner	5,684.83	1,107.65	12,384.04
Teachers (Old System)	- - -	177,179.56	(89,361.31)
Houlton Water Company	25,675.18	1,461.59	43,882.85
City of Auburn	58,661.91	3,375.58	79,016.81
Town of York	1,259.69	- - -	2,073.92
Military Leave, Teachers	- - -	- - -	- - -
Kennebec Water District	8,826.74	- - -	9,184.79
Livermore Falls Water District	1,851.46	- - -	2,748.61
County of Knox	5,983.22	584.89	10,404.59
Augusta Water District	8,179.07	- - -	14,816.34
City of Belfast	10,291.56	146.59	19,970.32
City of Calais	7,645.29	1,582.33	18,795.69
County of York	15,357.99	510.32	29,021.75
Maine Maritime Academy	13,359.11	- - -	(233.93)
York Water District	3,817.81	- - -	13,166.95
County of Washington	6,798.35	418.95	13,803.51
Portland Public Library	8,747.18	49.80	6,232.79
Town of Brunswick	26,009.16	621.75	28,514.83
Auburn Public Library	2,190.29	50.97	13,172.87
Maine-New Hampshire Interstate Bridge Authority	4,911.50	- - -	4,396.98
Town of Jay	3,364.76	61.63	7,854.04
County of Waldo	4,023.65	234.33	17,493.85
County of Kennebec	4,503.58	360.65	15,519.13
City of Lewiston	32,232.99	2,255.26	61,084.34
Maine Turnpike Authority	20,814.60	75.09	21,486.95
Auburn Sewerage District	373.07	- - -	802.43
Auburn Water District	1,188.44	- - -	3,778.61
Interest on Investments	- - -	- - -	324,105.32
TOTALS	\$10,733,596.16	\$769,563.75	\$8,174,441.02

MAINE STATE RETIREMENT SYSTEM
Other Trust Fund Balances

	<u>Suspense Fund</u>	<u>Pension Reserve Fund</u>	<u>Teachers Savings Fund</u>
State Employees	\$	\$33,388.53	\$
City of Portland		3,060.06	
County of Cumberland	6,597.00	1,917.56	
Teachers	204.83	305.64	1,635,290.49
" (Old System)		233.63	185,775.69
Military Leave - Teachers			<u>33,345.03</u>
	<u>\$ 6,801.83</u>	<u>\$38,905.42</u>	<u>\$ 1,854,411.21</u>
	<u> </u>	<u> </u>	<u> </u>

MAINE STATE RETIREMENT SYSTEM
PENSION PAYROLL

Month of June 1954 Man Count and Cost Compared
with Month of June 1953 Man Count and Cost

	Number of Persons Receiving Benefits at June 30, 1954 - June 30, 1953		Increase or (Decrease)
State	768	689	79
Portland, City of	76	68	8
Town of Millinocket	4	4	-
Cumberland County	16	15	1
Maine Port Authority	1	1	-
Teachers - Contributory	21	17	4
Teachers - Non Contributory	683	590	93
Teachers - Pensioned Prior to 1947	476	514	(38)
Town of Camden	2	2	-
City of South Portland	11	13	(2)
Town of Houlton	1	1	-
Penobscot County	1	2	(1)
City of Ellsworth	2	1	1
Town of Kittery	2	3	(1)
Town of Bar Harbor	8	8	-
Town of Mount Desert	4	4	-
Town of Fort Fairfield	3	3	-
Rockland, City of	5	3	2
Bath Water District	5	4	1
City of Bangor	12	7	5
Boothbay Harbor Water System	3	3	-
Bangor Public Library	2	1	1
City of Augusta	20	18	2
City of Gardiner	5	6	(1)
Houlton Water Company	3	3	-
Auburn, City of	12	10	2
Knox County	3	3	-
City of Belfast	3	3	-
City of Calais	9	6	3
York County	4	4	-
Washington County	1	2	(1)
Portland Public Library	3	3	-
Town of Brunswick	1	-	1
Auburn Public Library	1	1	-
Town of Jay	2	2	-
Waldo County	4	3	1
Kennebec County	3	2	1
City of Lewiston	9	2	7
Maine Turnpike Authority	2	-	2
TOTALS	<u>2,191</u>	<u>2,021</u>	<u>170</u>

MAINE STATE RETIREMENT SYSTEM

Recapitulation of Earnings on Investments
For the Year Ending June 30, 1954

SUMMARY OF INCOME ACCOUNT

Balance July 1, 1953		\$239,372.64
Additions:		
Interest on Bonds	\$543,110.18	
Dividends on Stock	31,581.87	
Profit	5,317.27	
Deficiency Receivable	<u>32,804.53</u>	
Total Additions		<u>612,813.85</u>
		\$852,186.49
Deductions:		
Premiums Amortized	\$ 14,989.81	
Investments Costs	1,753.46	
Interest Paid at Date of Purchase	13,955.18	
Earnings Allocated	<u>497,382.72</u>	
Total Deductions		<u>528,081.17</u>
Balance June 30, 1954		<u>\$324,105.32</u>

INCOME DERIVED FROM INVESTMENTS
July 1, 1953 to June 30, 1954
On Accrual Basis

Additions:		
Cash Received from Investments		
Interest on Bonds	\$543,110.18	
Dividends on Stock	31,581.87	
Profits:		
On Canadian Exchange	\$ 119.51	
On Rockland Atlas Ntl Bank	42.00	
On Pacific Gas & Electric	<u>5,228.60</u>	
	\$5,390.11	
Less Loss:		
On Detroit Edison	<u>72.84</u>	
Net Profit	<u>5,317.27</u>	
Total Cash Received	\$580,009.32	
Add, Interest Accrued at June 30, 1954	<u>161,495.22</u>	
Total Additions		\$741,504.54
Deductions:		
Premiums Amortized	\$ 14,989.81	
Investments Costs	1,753.46	
Interest Paid at Date of Purchase	13,955.18	
Interest Accrued at June 30, 1953	<u>134,491.88</u>	
Total Deductions		<u>165,190.33</u>
Earnings for Year		<u>\$576,314.21</u>

ADMINISTRATION FUND

For the Year July 1, 1953 Through June 30, 1954

Revenues:

Reserve forward from Previous Year	\$ 757.59	
General Fund	56,242.00	
Highway Fund	4,000.00	
Employment Security Fund	1,300.00	
Liquor Fund	1,224.00	
Participating Districts & Social Security Participants	22,330.43	
Total Available		<u>\$85,854.02</u>

Expenditures: -

Personal Services	\$49,377.15	
Contractual Services	11,002.35	
Commodities	3,740.81	
Capital Expenditures	<u>14,503.32</u>	
Total Expenditures		\$78,623.63
Balance Forward		77.27
Lapsed to Surplus		<u>7,153.12</u>
		<u>\$ 85,854.02</u>

MAINE STATE RETIREMENT SYSTEM
Statement of Number of Open Savings Accounts
At June 30, 1954

	Number of Open Accounts		
	Annuity Savings Fund	Annuity Reserve Fund	Pension Reserve Fund
State Employees	6,324	686	32
City of Portland	597	76	3
Town of Millinocket	10	4	--
City of Presque Isle	40	--	--
Cumberland County	54	16	3
Maine Port Authority	13	1	--
Teachers	9,512	565	1
Town of Camden	20	2	--
City of South Portland	143	11	--
Town of Houlton	44	1	--
Penobscot County	30	1	--
Kittery Water District	8	--	--
City of Ellsworth	15	2	--
Town of Kittery	15	2	--
Town of Bar Harbor	31	6	--
Town of Mount Desert	15	3	--
Town of Fort Fairfield	36	2	--
City of Rockland	59	4	--
Bath Water District	9	5	--
City of Bangor	207	12	--
Boothbay Harbor Water System	5	2	--
Bangor Public Library	30	1	--
City of Augusta	131	15	--
City of Gardiner	28	2	--
Houlton Water Co.	35	3	--
City of Auburn	110	12	--
Town of York	2	--	--
Kennebec Water District	16	--	--
Livermore Falls Water District	3	--	--
Knox County	18	3	--
Augusta Water District	13	--	--
City of Belfast	24	3	--
City of Calais	34	8	--
York County	38	3	--
Maine Maritime Academy	17	--	--
York Water District	5	--	--
Washington County	20	1	--
Portland Public Library	19	1	--
Town of Brunswick	70	1	--
Auburn Public Library	5	1	--
Maine-N. H. Bridge Authority	9	--	--
Town of Jay	8	2	--
Waldo County	17	3	--
Kennebec County	13	2	--
City of Lewiston	104	9	--
Maine Turnpike Authority	76	1	--
Auburn Sewer District	6	--	--
Auburn Water District	12	--	--
TOTALS	<u>18,050</u>	<u>1,472</u>	<u>39</u>

MAINE STATE RETIREMENT SYSTEM
Statement of Number of Open Savings Accounts (Continued)
At June 30, 1954

Recapitulation of Open Accounts, June 30, 1954

Annuity Savings Fund	\$18,050
Teachers Savings Fund	4,712
Annuity Reserve Fund	1,472
Pension Reserve Fund	39
Pension Accumulation Fund	<u>2,191</u>
Total Accounts at June 30, 1954	<u><u>26,464</u></u>

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State of Maine
MAINE STATE RETIREMENT SYSTEM
AUGUSTA

November 22, 1954

Board of Trustees
Maine State Retirement System
Augusta, Maine

Gentlemen:

I submit herein the twelfth valuation report of the actual and prospective Assets and Liabilities of the Maine State Retirement System as of June 30, 1954.

The valuation covered 13,821 active and 1948 retired employees and teachers.

Valuations for Participating Local Districts have been done separately and are not included in this report.

Respectfully submitted,

/s/ Alfred W. Perkins
Actuary

ACTUARIAL BALANCE SHEET

June 30, 1954

ASSETS

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Funds on Hand:			
Active Employees Contributions	\$ 4,720,431	\$ 6,632,689	\$11,353,120
Retired Employees Contributions	501,453	187,422	688,875
State Contributions	<u>3,193,819</u>	<u>3,211,790</u>	<u>6,405,609</u>
Total	\$ 8,415,703	\$10,031,901	\$18,447,604
Value of Future State Contributions For:			
Membership Service	\$ 9,286,857	\$11,867,644	\$21,154,501
Unfunded Prior Service	<u>13,012,668</u>	<u>19,042,317</u>	<u>32,054,985</u>
Total	\$22,299,525	\$30,909,961	\$53,209,486
Total Assets	<u>\$30,715,228</u>	<u>\$40,941,862</u>	<u>\$71,657,090</u>

LIABILITIES

Active Employees Contributions	\$ 4,720,431	\$ 6,632,689	\$11,353,120
Present value of allowances being paid to Pensioners	<u>6,281,021</u>	<u>7,153,278</u>	<u>13,434,299</u>
Total	\$11,001,452	\$13,785,967	\$24,787,419
Present Value of Future Benefits to present active Employees:			
Future Membership Service	\$ 7,662,010	\$ 9,502,133	\$17,164,143
Past Membership Service	4,053,701	3,770,572	7,824,273
Prior Service	<u>7,998,065</u>	<u>13,883,190</u>	<u>21,881,255</u>
Total	\$19,713,776	\$27,155,895	\$46,869,671
Total Liabilities	\$30,715,228	\$40,941,862	\$71,657,090

Data for Calculations

The actuarial calculations presented herein were
based upon the following statistics:

Active Employees

<u>Classification</u>	<u>No.</u>	<u>Annual Payroll</u>
State Employees	5905	\$18,258,824
Teachers MTRA	5846	* 12,886,492
Teachers, 1913	2070	* 4,973,359
Total Teachers	<u>7916</u>	<u>17,859,851</u>
Total Employees	13,821	\$36,118,675

Retired Employees

<u>Classification</u>	<u>No.</u>	<u>Annual Allowances</u>
State Employees	768	\$ 668,873
Teachers MTRA	21	11,424
Teachers, 1913	1159	1,025,769
Total Teachers	<u>1180</u>	<u>1,037,193</u>
Total Employees	1948	\$ 1,706,066

* These salaries taken from Recess Committee Report page 136.

Present salaries not available.

Annual Cost Calculation

It was determined that the percentages developed by the Recess Committee study for Membership and Prior Service should be used in determining the cost for the 1955-56 biennium.

The table below develops the Normal Contribution (Membership) cost for each year of the biennium.

<u>Normal Contribution</u>				
<u>Classification</u>	<u>No.</u>	<u>Salaries</u>	<u>Rate</u>	<u>Cost</u>
General	4079	\$12,486,552	3.79%	\$473,241
Highway	1098	3,392,856	"	128,589
Liquor Commission	271	806,104	"	30,551
M. E. S. C.	232	792,272	"	30,027
I. F. & G.	82	293,384	"	11,119
Police	98	332,800	"	12,613
Prison	32	107,536	"	4,076
Maine Port Authority	<u>13</u>	<u>47,320</u>	<u>"</u>	<u>1,793</u>
Total State Employees	5905	\$18,258,824	3.79%	\$692,009
M. T. R. A.	5846	\$12,886,492	3.42%	\$440,718
1913 Teachers	<u>2070</u>	<u>4,973,359</u>	<u>5.33%</u>	<u>265,080</u>
Total Teachers	7916	\$17,859,851	3.95%	\$705,798
Grand Total	13,821	\$36,118,675	3.87%	\$1,397,807

The table below develops the Accrued Liability (Prior Service) cost for each year of the biennium. The cost for the second year being 1.03% of the cost for the first year.

Accrued Liability

<u>Classification</u>	<u>Rate 1955-56</u>	<u>1955-56</u>	<u>1956-57</u>
General	3.04%	\$379,590	\$390,978
Highway	"	103,143	106,237
Liquor Commission	"	24,506	25,241
M. E. S. C.	"	24,085	24,808
I. F. & G.	"	8,919	9,186
Police	"	10,117	10,421
Prison	"	3,269	3,367
Maine Port Authority	"	<u>1,439</u>	<u>1,482</u>
Total State Employees	3.04%	\$555,068	\$571,720
M. T. R. A.	.40%	\$ 50,987	\$ 52,517
1913 Teachers	<u>18.25%</u>	<u>907,622</u>	<u>934,851</u>
Total Teachers	5.37%	\$958,609	\$987,368
Grand Total	4.19%	\$1,513,677	\$1,559,088

The above calculations do not include the additional annual cost resulting from the increase in teachers minimums by the Legislature in September 1954.

Interest Deficit

Valuations are made on a 3% interest basis. Interest is declared at 3% which leaves a deficit if the Trust Funds do not earn 3%. During the last biennium the Trust Funds did not earn 3% although for the fiscal year 1954 the earned rate was very close to 3%. It is hoped that the Trust Funds will earn at least 3% during the 1954 fiscal year.

<u>Fiscal Year</u>	<u>Earned Interest Rate</u>	<u>Interest Earned</u>	<u>Interest Deficit</u>
1952	2.7994%	\$407,100.65	\$28,685.07
1953	2.9537%	502,003.54	7,736.67

The split of the interest deficit by general categories follows:

<u>Departments</u>	<u>Interest Deficit</u>		
	<u>1952-53</u>	<u>1953-54</u>	<u>Total</u>
State Employees	\$13,313.48	\$3,612.84	\$16,926.32
Teachers	15,316.32	4,109.14	19,425.46
Maine Port Authority	<u>55.27</u>	<u>14.69</u>	<u>69.96</u>
	\$28,685.07	\$7,736.67	\$36,421.74

Remarks

The valuation revealed the System to be in good financial condition.

As determined in the Recess Committee Report the percentage increase is due to the vesting provisions established by the Legislature in 1953.

Actual dollar cost rises because of salary increases.