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Maine State Retirement News for Members Retirees and Employers, September 2000

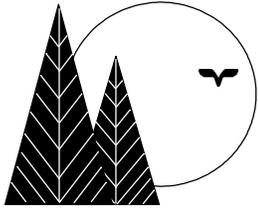
Maine Public Employees Retirement System

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Maine State

Retirement News

for Members, Retirees and Employers

The newsletter of the Maine State Retirement System

September 2000

TRUSTEES SET COLA AT 3.9%

At its meeting in August, the MSRS Board of Trustees adopted a cost-of-living adjustment (COLA) of 3.9% to be added to the benefits of all **COLA-eligible** benefit recipients, effective with benefits to be paid in September 2000.

The COLA rate, by state statute, is set at the amount of the change in the Consumer Price Index (CPI) for the 12-month period preceding each June 30. By statutory directive, the Board uses what is called the CPI-W or Consumer Price Index for Urban Wage and Clerical Workers.

State employee and teacher retirees are eligible to receive a cost-of-living adjustment (COLA) in the first September after having been retired for at least 12 months. For example, if you retired as of September 1, 1999, you received a COLA in September 2000; if you retired as of October 1, 1999, you will receive a COLA in September 2001. If, however, your normal retirement age is 62, you are not eligible to receive a COLA until at least 12 months after you reach age 62.

PLD retirees that are covered by a retirement plan that includes the COLA provision are eligible to receive a COLA the first September after having been retired for at least six months. For example, if you retired by March 1, 2000 or earlier, you received a COLA in September 2000. If you are unsure if your district has a COLA provision, check with your payroll office or the PLD Unit of the Retirement System.

New Rule Clarifies How the 5% and 10% Caps Are To Be Applied

The Board of Trustees has adopted Chapter 104 of the MSRS Rules, effective June 18, 2000. Ch. 104 changes how the Retirement System calculates and applies the 5% and 10% caps on the earnable compensation used in the determination of the average final compensation (AFC) for State employee and teacher members. (*Note to employers:* A copy of Ch. 104 was sent to all employers in July. If you did not receive it, please contact the MSRS Communications Unit.)

All retirements that were effective July 1, 2000 or later have been processed under the guidelines of the new rule. Working within these guidelines, MSRS staff will also be reviewing the benefit calculations done for all State employee and teacher members who have retired since the effective date of the cap legislation, July 1, 1993, and for whom the caps affected retirement benefits.

If the review reveals that your benefit was lower under the previous application of the cap law, your retirement benefit will be recalculated according to the new rule and you will then receive the higher benefit, retroactive to the date you began receiving your original retirement benefit. If, however, the new rule would result in a lower benefit or have no impact on your benefit, your current retirement benefit will remain in effect.

If, when you retired, the MSRS refunded contributions to you that you had paid on earnings that were excluded from your AFC because of the caps, you will be required to pay back those refunded contributions. Paying them back will be accomplished by the MSRS deducting them from your new increased retirement benefit.

As there are several thousand cases being reviewed, the process will take some time to complete. If you were previously subject to the application of the caps, you will be notified both when your retirement benefit has been reviewed and of the results of that review.

New Law Allows Change of Beneficiary

All service retirees who retired prior to June 2000 had the opportunity to choose a retirement payment option that involved naming a beneficiary to receive certain annuitized benefits at the death of the retiree. Such retirees could have chosen a payment option giving an equal amount (Option 2), one half (Option 3) or some other percent of the retiree's benefit (Option 4, prior to August 11, 2000) to a named beneficiary at the death of the retiree. Retirees selecting any of these options were told at the time the option was selected and a beneficiary designated that, once retirement had occurred, the law was that there could be no change in the beneficiary except under very specific and

see Beneficiary page 3



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Notes from the Executive Director

In this newsletter I want to introduce you to the System's Five-Year Plan. Since I wrote on this subject in the 1999 Annual Report published earlier this year, I will do this by including an excerpt here from that report.

One wall of the Retirement System's second floor conference room is entirely covered with custom designed handmade wallpaper. The staff of the System created the design, which is impressive and exciting in both its overall conception and its details. System staff members were the artisans who turned the design into paper and assembled it on the wall itself. Those who have seen The Wall admire it not for its beauty, but for its succinct, informative, non-static representation of the System's Five-Year Plan, our plan for the System's near- and long-term future, and, by definition, for the futures of its members, retirees and employers as participants in the Retirement System.

The Five Year Plan could be admired for its beauty: there is a kind of beauty in a plan that lays claim to sound and meaningful goals and has the allegiance of the people who will, goal by goal, convert them into achievements. At the System, that allegiance is here and growing. It is a shared commitment to our common endeavor to build the Retirement System into an enterprise that does its job very, very well. Our Five Year Plan is the building blocks, the solid, real, carefully shaped elements, from which we are constructing the Retirement System that we intend.

To date, the Five Year Plan has had a predominantly internal focus, on the work we do, the skills, knowledge and approaches needed to do it well, and on the creation of a work community thoroughly engaged by the intent to do it well. Some important internal results are evident: an energized, forthcoming, committed staff; huge and basic progress toward automating ourselves; a thoughtful program of repair, maintenance catch-up and energy efficiency improvements to our densely populated office. Other important results are already evident outside our walls: greatly improved financial recordkeeping and accounting; greatly improved investment recordkeeping and reporting; earlier initial payments of service and disability benefits; significant progress in reducing turnaround times on information requests and disability applications; increasing capacity to be in the field. Over time, we will make the Five Year Plan itself more visible, its vision as well as its concrete tasks and jobs, its imaginative concepts as well as its thorough analyses, its intense focus on change.

The Five Year Plan drives toward excellent service that originates in a clear understanding of why the Retirement System exists, of why and how its work matters to our members, retirees, employers, and to the public. The System's members and employers do the work of the public side of the lives of Maine's people. They work on the roads and in the schools. They manage state and local financial matters. They register cars and license drivers. They carry out responsibilities in education, public safety, health, environmental protection, economic development and fire protection. They work in libraries, state hospitals, water and sewer facilities, jails and prisons. Maine taxpayers are, ultimately, the employers of our members and the creators and overseers of our participating employers; our members are themselves taxpayers. We know the Retirement System has a broad public responsibility to run itself cost-effectively and we believe that doing excellent work on behalf of our members, retirees and participating employers is integral to that responsibility.

KAY EVANS
Executive Director

If you would like to receive a copy of the **MSRS 1999 Annual Report**, please contact us at 1-800-451-9800 or 207-287-3461.

Having an Employee Benefit Fair this Fall?

If you would like us to attend please contact the MSRS Communications Unit.

MSRS Holiday Closings

Monday, October 9, 2000:

Columbus Day Holiday

Friday, November 10, 2000:

Veterans Day Holiday

Thursday and Friday,

November 23 & 24, 2000:

Thanksgiving Holiday

Monday, December 25, 2000:

Christmas Day

Monday, January 1, 2001:

New Year's Day

The office will also be closed on **Monday, November 6, 2000** for an offsite staff development program

Regular office hours are:
Monday through Friday, 8:00 a.m. until 5:00 p.m.

PART II - MEET THE MSRS STAFF STATE MEMBER UNIT for RETIREMENT SERVICES

If you are a State employee, judge or legislator and you want to know how much creditable service you have in the Retirement System; or if you have a question about purchasing service credit; or if you are looking ahead to retirement and need to know where to start; the best approach is to contact the MSRS Retirement Services State Unit where an experienced team awaits your call.

Your initial call will be taken by a Retirement Services Clerk who handles requests for information and directs calls to the appropriate staff person within the unit. Her primary role when answering your call is to document the exact nature of your request and obtain the information needed for one of the technicians to respond.

Our Retirement Services Technicians research your work history and make payment determinations necessary to provide you with the information that you request.

Information on the amount of service credit you have and the cost to buy service credit is always double checked by our Senior Technicians, Line Lavallee and Sarah Libby.

Beneficiary continued from page 1:

limited circumstances. One circumstance was a spousal beneficiary and subsequent post-retirement divorce. Another was a spousal beneficiary who predeceased the retiree and the retiree's subsequent remarriage. The limited conditions under which a retiree could change the beneficiary were troublesome for many retirees who found themselves in unpredictable circumstances in which they no longer wanted to provide lifetime benefits at their deaths to their earlier named beneficiaries.

One section of a new law enacted by the Legislature this past spring provides some relief from these restric-



Front Row (left to right): Sr. Technician Line Lavallee, State Specialist Nancy Ames, and Sr. Technician Sarah Libby. Rear (left to right): Technicians Maureen Burgess, Mary Ellen Muncey, Linda Maschino, Cindy Smith, Gloria Giguere and Associate Specialist Wanda Philbrick. Unavailable for photo: Retirement Technician Shari Ouellette.

The State Unit Associate Specialist, Wanda Philbrick, supervises the technicians and assists the Specialist with correspondence and estimates of retirement benefits. She works directly with State Unit Specialist, Nancy Ames, to verify your eligibility for retirement benefits.

Specialist Nancy Ames is available to meet with you one-on-one to discuss your upcoming retirement and to provide further information and assistance with the paperwork and explain the various options you have to choose from in retirement. To meet with Nancy, you should call the State Unit for an appointment.

tions. (This bill, P.L. 1999, Chapter 744, is summarized in the enclosed 2000 Legislative Update insert.) Under this new law, effective May 3, 2000, a current retiree who has elected or future retiree who elects an option that provides a benefit to a beneficiary at the retiree's death may make a change to a new beneficiary. This can happen only once after a retiree is retired. This one-time change is not available to retirees who originally name either their spouse or ex-spouse as the beneficiary of their retirement benefit. A further restriction to the one-time change is that the change must be made while the original beneficiary is alive. The amount of the monthly benefit that would go to a new benefi-

Nancy is considered the expert when it comes to State employee, judicial or legislative retirement issues and is widely sought for on-site presentations to member groups throughout the state.

While each person in the State Unit has his or her particular job in processing your retirement information, the unit prides itself on assisting you in a coordinated manner.

You may contact the Retirement Services State Unit in writing or by telephone with any questions or requests for information regarding your membership with the Maine State Retirement System.

ciary at the death of the retiree is the same amount to which the original beneficiary would have been entitled. However, the length of time that the new beneficiary is entitled to receive the benefit is determined based on certain demographic facts about the original beneficiary, and the new beneficiary may not necessarily receive a monthly benefit for the remainder of his or her lifetime.

This is a significant plan change for MSRS retirees. If this change in the law is of interest to you and you would like further information, please contact the MSRS Survivor Services Unit.

Q & A

As an MSRS member do I have disability coverage?

Yes. The MSRS offers a long-term disability plan to State employee members, teacher members, and members of

Participating Local Districts (PLDs) that are part of the Consolidated PLD Plan. In addition, if you are an employee of a PLD that has withdrawn from the MSRS and you have continued your membership in the MSRS, you may also be eligible for disability benefits. Also, if you are a member of the Judiciary or the Legislature, you may be eligible for disability retirement benefits. Under the disability plan you may be entitled to disability retirement benefits if you have a permanent mental or physical incapacity which makes it impossible for you to perform the duties of your employment position.

Depending on the complexity of your situation, it can take some time to process your application. We therefore recommend that you apply for disability retirement benefits before your financial resources are exhausted. If you are receiving any type of short-term disability benefit including income protection benefits, applying for MSRS disability retirement benefits may have an impact on these benefits, so be sure to check with the agency responsible for administering your short-term plan. Any questions regarding the MSRS program should be directed to the MSRS Disability Unit.

While eligibility for one program does not establish eligibility for another, if you are receiving Workers' Compensation benefits or Social Security disability benefits, you may still be entitled to MSRS disability retirement benefits. You do not need to wait for a determination from either of those programs in order to apply for MSRS disability retirement benefits. It is likely that some portion of other disability benefits would be offset from your MSRS disability benefit.

In the event that your application for MSRS disability retirement benefits is approved, you may be eligible for vocational rehabilitation services through the MSRS. If you qualify for those services, assistance is available to help you return to the workforce.

For details regarding requirements governing your specific situation, please contact the MSRS Disability Unit. Staff is always available to answer questions either by phone or in person. An appointment can be scheduled if you would like to come in and talk with a representative.

NOTICE TO EMPLOYERS

Please check your records and be sure that checks you are sending us are properly made out to the Maine State Retirement System or MSRS, not to the State of Maine. Our address is: 46 State House Station, Augusta, ME 04333-0046.

Update to Military Leave Provisions

If you have ever taken a leave of absence from your MSRS-covered position to serve in the military, this article may be of interest to you.

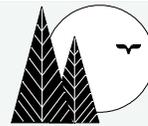
In order to conform to federal statutes, the MSRS has updated some of the criteria previously used to determine eligibility for the granting of service credit to MSRS members who take leave from MSRS-covered positions to serve in a uniformed service. (Please note that these changes do not apply to the ability of a member to purchase MSRS service credit for military time served before becoming an MSRS member.)

“Uniformed service” is now defined as:

- Army, Navy, Marine Corps, Air Force or Coast Guard
- Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, or Coast Guard Reserve
- Army National Guard or Air National Guard
- Commissioned Corps of the Public Health Service
- Any other category of persons designated by the President in time of war or emergency

In addition to expanding the definition of uniformed service, the amount of service credit that can be awarded in these circumstances has been increased from a maximum of four years of service credit as set by State law, to a maximum of five years to conform to the federal law. Also, under federal law, there is no longer a requirement that the military service must have been during a specific federally recognized period of conflict.

If you were previously granted, or denied, service credit for time when you took a leave of absence from MSRS-covered employment to serve in a uniformed service or if you feel you may be entitled to increased service credit under the new guidelines, you should contact the MSRS Retirement Services Unit for more information.



Retirement News

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Retirement News is intended to provide timely information about the MSRS to members, employers and retirees. For the most complete and up-to-date information, please contact an MSRS representative. The contents should not be considered the basis of any contractual rights between the MSRS and its members. The official wording of the laws of Maine will govern.

Retirement News can be made available in alternative formats. If you have such a request, please contact the Communications Unit.

You can reach the MSRS at 207-287-3461 or 800-451-9800 or (TDD only) 207-287-8446

2000 Legislative Update

Legislation Enacted in the Second Regular Session of the 119th Legislature

An Act to Amend Maine State Retirement System Rules to Allow Monthly Partial Direct Service Payments to Purchase Service Credit

**PL 1999, Chapter 537 [L.D. 1091]
Amending: 5 MRSA, §§17001, 18301
Effective Date: March 1, 2001
Members Affected: All members**

This bill permits MSRS members to purchase service credit through payroll deduction on an ongoing basis. This is in addition to the current choices available to eligible members to purchase service credit through either a lump sum payment or an annual payment made in the month of May.

An Act to Amend the Laws Governing the Designation of a Beneficiary of Maine State Retirement System Benefits

**PL 1999, Chapter 744 [L.D. 1790]
Amending: 4 MRSA §§1357, 1360, 1361
5 MRSA §§17804, 17805, 17805-A, 18404,
18405, 18405-A
Effective Date: See Explanations
Members Affected: All members**

Effective May 3, 2000: This portion of the bill allows a service retiree to make a one-time change in his/her named beneficiary, provided that the named beneficiary is not the spouse or ex-spouse of the member, and that the original named beneficiary is alive at the time of the change.

Effective August 11, 2000: The bill also clarifies some existing language concerning retirement options; adds four new retirement options to the five existing options; and requires notification to a spouse when a retiring member has elected an option or designated a beneficiary that will result in no benefit being paid to the spouse upon the retiree's death. Three of the new options allow for a "pop up" to the full benefit amount for the retiree if the named beneficiary predeceases a retiree. Under all pop-up options, the benefit will be changed to a larger amount if the beneficiary predeceases the retiree. Because this bill is effective August 11, 2000, the new options are available to members whose effective retirement date is after that date.

An Act to Amend Requirements for Maine Technical College System Employees Participating in a Defined Contribution Plan

**PL 1999, Chapter 614 [L.D. 2410]
Amending: 20-A MRSA §12722
Effective Date: August 11, 2000
Members Affected: Certain Maine Technical College Employees**

This bill changes the current requirement that MTCS employees with less than ten (10) years of creditable service, and who opt out of MSRS and join the MTCS defined contribution plan, must take a refund of MSRS contributions. The requirement will now apply to those members that have less than 5 years (i.e. not "vested") of creditable service.

An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2000 and June 30, 2001

**PL 1999, Chapter 731 [L.D. 2510]
Part CC
Amending: 5 MRSA §§17001, 17159, 17851,
17851-A, 17852, 17857
Effective Date: August 11, 2000
Members Affected: Certain State Police Officers and Certain Special Agent Investigators Employed by the Bureau of State Police**

This section of the bill removes state police officers hired after September 15, 1984 from the 1998 Special Plan and places them in a newly established special plan that provides for retirement after 25 years of service, regardless of age. Also included are special agent investigators who are employees of the Bureau of State Police who were hired before June 21, 1982. State Police officers that had previously elected to participate in the "25 Years/No-Age Choice" plan are entitled to a refund of the additional contributions paid for that participation as well as interest on those contributions.

Part CCC
Amending: 5 MRSA §17851
Effective Date: August 11, 2000
Members Affected: Certain Employees of the
Bangor Pre-Release Center

This section of the bill allows employees of the Bangor Pre-Release Center who are covered by the 20-year retirement plan to remain in that plan upon the closing of the Center, provided that they are employed by the Center on June 30, 2000, and remain in a position that either previously would have been covered by the 20-year plan or is covered by the 1998 Special Plan. The member may also remain in the 20-year plan if retirement qualifications are met at the time that the Center closes.

An Act to Establish Consistent
Requirements in Maine State Retirement
System Plans for Minimum Creditable
Service for Eligibility to Receive
Retirement Benefits

PL 1999, Chapter 756 [L.D. 2614]
Amending: 3 MRSA §851; 4MRSA §1351;
5 MRSA §§17851, 18451
Effective Date: Retroactive to October 1, 1999
Members Affected: Judicial, Legislative and PLD
Members

This bill changes "vesting" (the amount of creditable service required by members to be eligible for an MSRS retirement benefit) for members of the Legislative Retirement System, Judicial Retirement System and PLD members from ten (10) years to five (5) years if an active member on or after October 1, 1999. It also allows for service in the Maine Legislative Retirement System to be combined with service in the Maine State Retirement System regardless of the order in which the service is earned. The bill is retroactively effective to the date that five-year vesting was effective for state employees and teacher members.

An Act to Repeal Certain Inactive Boards
and Commissions and to Amend Certain
Laws Governing Boards and Commissions

PL 1999, Chapter 668 [L.D. 2676]
Amending: 5 MRSA §17159
Effective Date: August 11, 2000

This bill eliminates the Early Retirement Incentives Panel. MSRS staff will continue the Panel's charge of determining whether a payment or award made by an employer to an employee in connection with retirement is an incentive for early retirement.

OTHER ENACTED LEGISLATION OF
INTEREST TO MSRS RETIREES

An Act to Make Supplemental
Appropriations and Allocations for the Ex-
penditures of State Government and to
Change Certain Provisions of the Law
Necessary to the Proper Operations of State
Government for the Fiscal Years Ending
June 30, 2000 and June 30, 2001

PL 1999, Chapter 731 [L.D. 2510]
Part S
Amending: 36 MRSA §5122
Effective Date: January 1, 2000

This section of the bill exempts up to \$6,000 of eligible retirement plan payments, depending on the make up of a retiree's total income. Questions should be directed to the Maine Department of Revenue Services or an accountant/financial adviser.

To receive a copy of any enacted laws contact the
Engrossing Division of the Office of the Revisor of Statutes at (207) 287-1324