



Maine State

Retirement News

for Members, Retirees and Employers

Maine State Retirement System

Spring 2003, Volume 1 of 3

AN IMAGE FOR THE FUTURE

During the past several years there has been an escalation of technological advancements in the way work is conducted at the Maine State Retirement System. The latest advancement nearing implementation is the development of an Electronic Imaging System. The Electronic Imaging System will allow MSRS to maintain an electronic copy of all member documents (coming to or leaving the MSRS) in a secure electronic repository capable of being viewed on the desktops of specific MSRS staff.

Since 1986, member paper records have been stored on what presently amounts to over 500,000 microfiche. Each microfiche contains between two and sixty images. On average, MSRS has been making approximately 36,500 original microfiche images per month using the updateable microfiche system. The microfiche are maintained alphabetically in two very large rolling mechanical storage files in the records management area of our 96 Sewall Street facility.

The MSRS has recognized for some time that it would need to move to an electronic imaging system for storing both historical records and the vast amount of member-based paper documents received daily. A conscious decision was made to delay the effort as long as possible in order to avoid an overload of major technology related projects. The major focus of the System's principal technology efforts has been the creation of an electronic system that houses payroll and other information pertinent to individual members, known as the new Membership Record Keeping System (MRKS). Recognizing the current obsolete state of the System's once state-of-the-art microfiche technology and finding microfiche supplies and parts for equipment increasingly unavailable, MSRS realized that it must begin

its move to an electronic imaging system sooner rather than later. When a warehouse fire destroyed back-up paper copies of some historical records, additional pressure to move forward was brought to bear and we launched the project.

MSRS' first phase approach to imaging is to replace its existing microfiche system used for storing member files with a basic storage and retrieval system. This limited purpose project involves changing only the storage media for member files. With the initial imaging effort limited to a storage and retrieval solution for member files, a major challenge of the project has been to insure that the technology is sufficiently robust to be the foundation for future, more sophisticated imaging related activities. This includes the capacity to bar-code documents, image documents directly from other software applications such as word processing, accept imaged documents from participating employers, and operate workflow, which involves the electronic movement of documents from one unit (or department) to another. It must also have the capability of being integrated with the Membership Record Keeping System that is currently under development.

The Electronic Imaging System will greatly improve the staff's ability to access member-based documents needed to handle the daily work in areas such as membership inquiries, retirement applications, and group life insurance and survivor claims.

Upon implementation of the new Electronic Imaging System this spring, member-based documents will be scanned into the system using one of two automatic scanners in our records management area and stored on the imaging file server in our computer room. In addition, the MSRS will have completed the backfile conversion of over 4,000,000 pages of microfiched member records that will be accessible on the staff's desktop computers. Not only will the imaging system be fully integrated with the Membership Record Keeping System, but it will provide an economical, sophisticated foundation upon which future technology can be added.

Message from the Executive Director

A few years ago, after a period of uninterrupted upward movement in investment markets and investment returns, we experienced and got used to more volatility, that is, more ups and downs. "Got used to" probably came to mean an unspoken expectation that every down would be followed, pretty closely, by another up. Then came not a mere downturn, but a down year. Now, three down years in a row have not altered the general belief that there will eventually be an upturn. But, any expectation of a closely-following upturn is gone. Further, it seems to be generally agreed that an upturn will not be a bounce-back to where we were, but movement along upwardly-sloping ground, more gradual and probably not uninterrupted. More normal, in other words. We now call that most recent up-up-and-away period the "tech bubble." It was a normal bubble - that is, the normal amount of kidding ourselves - but bubbles aren't normal.

Without any doubt, individuals, companies, and failed oversight are to blame for this bubble. Without any doubt, many of those most to blame profited enormously. Then there's the rest of us. The good times feel so good, the times of more money in (almost) everyone's pockets and the "promise" of still more to come. That's probably why there is very widespread participation in pumping air into bubbles. The vast most-of-us are not among the blameworthy, but we could, maybe, "know better." So far as history shows, we don't ever seem to.

The collapse of the bubble has caused many varieties of pain: jobs lost, investments and savings eaten away, education interrupted or foregone, bigger holes in safety nets, to name a few of the big ones. Members and retirees covered under the System's Defined Benefit retirement plans have been spared one very severe pain: their retirement benefits under these plans have not been affected. For this, members and retirees can thank the basic structure of Defined Benefit plans, which spares them from investment risk.

If you are taking further responsibility for the creation of how you will live your life in retirement (and you should) by putting some of your current income into a deferred compensation (457) or defined contribution (401(a) or 403(b)) plan, you probably know the meaning of "taking investment risk." "Risk" is the ups and the downs: you saw years of gains; you're seeing years of losses. You should of course continue to create your retirement life via participation in these plans, being glad that a Defined Benefit plan retirement benefit is one of its building blocks.

If you participate in (and you should), or are thinking of participating in (and you should), a deferred compensation or defined contribution plan, it is important to know that, increasingly, you can take it with you. That is, you can move your assets in those plans far more easily than you could in the past. Changes in Federal law and rules have lowered or eliminated the boundaries between the different kinds of plans, and have

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Portability of Benefits

The ability to carry retirement benefits from one MSRS-covered employer to another MSRS-covered employer is called "portability of benefits". Because the MSRS administers several different retirement plans for several different employers, and because not all of those employers provide for portability within their selected retirement plan, not all service earned as a member of the System is considered portable. We think that it is important for members to realize the impact that a change in employer could have on their service retirement benefit and we provide this general information for that purpose.

In general terms, both employment with the State of Maine and employment in a public school system in a position that meets the definition of teacher are considered to be earned with "one employer" and all service is portable. That means that not only does all service count towards becoming eligible to retire, but also that at retirement, the benefit is calculated based on the member's three highest years of earnings (AFC), regardless of where the service was actually earned.

Portability of benefits for employees of participating local districts such as municipalities, public libraries, water or sewerage districts and school support staff varies depending upon the plan provided by the employer. Service earned with any participating local district that is part of the PLD Consolidated Plan is portable to any other participating local district in the Consolidated Plan. Again, that means that the benefit is based on the highest three years of earnings, regardless of where earned. Prior to the implementation of the Consolidated Plan, service was only portable if the individual participating local district provided such a benefit. Absent that provision, an employee with service with another MSRS-covered employer would receive a so-called "split benefit" at retirement. That meant a separate AFC and benefit would be calculated based on the earnings and service with each separate employer. The result could

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2002 Annual Statement of Compensation

Early each year, the MSRS mails an Annual Statement of Compensation (ASC) form to each disability recipient. All MSRS disability recipients are required to complete and return the form to the MSRS Disability Unit, regardless of whether or not they had income other than their MSRS disability benefit in calendar year 2002.

Accompanying the 2002 ASC form is a cover sheet that contains important information for each MSRS disability recipient. For instance, the sheet states the deadline for filing the 2002 ASC form and relevant attachments: no later than April 17, 2003.

If you are the recipient of an MSRS disability benefit and believe you may have exceeded your 2002 earnings limitation, you are encouraged to contact the staff of the Disability Unit as soon as possible for a determination of possible excess earnings. The amount of a disability recipient's earnings limitation is dependent upon which statute governs the recipient's benefit and where that

recipient was employed. Recipients should contact the MSRS Disability Unit for information specific to their circumstances.

In order to determine whether a disability recipient has exceeded the statutory earnings limitation, MSRS requires copies of all IRS tax forms filed by the recipient, including copies of any schedules and all W-2 forms, including those of the recipient's spouse, if the recipient files a joint return. The information is reviewed and a determination is made as to whether a recipient has exceeded the limitation specific to his or her circumstance. Disability recipients with excess earnings should expect a reduction in their monthly disability benefit to allow the MSRS to recoup any overpayment.

MSRS disability recipients who are unable to meet the April 17, 2003 filing deadline because they are requesting an IRS extension may obtain an extension from MSRS by providing a copy of their IRS extension form. This is the

only way that a disability recipient may obtain an extension for filing the 2002 ASC.

There are important statutory requirements governing ASC forms that all MSRS disability recipients should be aware of. For instance, if a recipient fails to meet the April 17, 2003 filing deadline, the statute requires that the disability benefit be withheld until the recipient complies with the filing requirement. In addition, should a recipient fail to file the ASC within one year of being requested to do so, he or she faces the loss of all rights to further disability benefits.

In order to avoid any disruption of monthly disability benefits, recipients should make certain to file the 2002 ASC and all supporting documentation by the April 17, 2003 filing deadline. Disability staff is available to assist disability recipients with questions about the ASC process.

WWW.MSRS.ORG INFORMATION AT YOUR FINGERTIPS!

- ✓ Member Handbooks
- ✓ Newsletters
- ✓ Retirement Related Legislation
- ✓ Publications
- ✓ Downloadable Forms
- ✓ Laws and Rules
- ✓ Frequently Asked Questions
and more!

Visit Maine State Retirement online today.

Attention Employers

You should have recently received a copy of MSRS Rule Chapter 803, "Participating Local District Consolidated Retirement Plan." The amended provisions of the rule went into effect on September 28, 2002.

If you did not receive a copy of the rule, you may do so by contacting the Retirement System.

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made it far more possible to transfer assets from one kind of plan to another without having to pay taxes at the time of the transfer. For example, if you change jobs and your new employer's plan is different from the plan your old employer had, you can move your assets out of your old employer's plan to your new employer's plan far more readily. And, if you are eligible to purchase service credit in one of the System's Defined Benefit plans, you can transfer 457, 401(a) or 403(b) plan assets to make the purchase directly, without tax consequences from the transfer.

Contributions to these plans - including the 457 and 401(a) plans administered by the System for participating local districts (PLDs) and their employees, the 457 plan administered by the State, and plans (which may be 403(b) and/or 457 plans) made available by school administrative units - are pre-tax. That means you do not pay income tax on the money you move out of your paycheck by payroll deduction into these plans at the time the money is moved. (It will be taxed later, when you withdraw it in retirement; your tax bracket will likely be lower than now.) Limits on the amount you can annually contribute to these plans have been raised and will continue to rise each year, so you can put more into your retirement life and continue to lower your current taxes.

If you are currently making use of this additional building block in creating your retirement life, keep at it. If you are not, get at it, even if you are young (you will get older) and even if you can only start with a small contribution amount. And remember that it has become much easier to move your plan assets, if and when you need to.

(P.S. The changes discussed here were made by a Federal law that was passed over a year ago. The federal budget that the President has just proposed has other changes to these kinds of retirement plans, but those changes may or may not be made and, if made, are a long way off. Don't let the mere possibility of future changes stop you from participation now.)

(P.P.S. Employees of PLDs: Please read the information on this page on the 457 and 401(a) plans that the System administers for PLDs.)


Executive Director

◆ **ATTENTION** ◆

**PLD Members Who
Participate in the
457/401(a) Plans
Administered by MSRS**

Because of recent changes to Federal law, some changes have been made in the 457 and 401(a) plans that the System administers for PLDs and PLD employees. In addition to improvements in the flexibility of the plans (discussed on pages 2 and 4 of this issue), there are changes that may mean you will want to review your contribution amount to the 457 plan and/or discuss with your employer the possibility of changing the percentage contribution to the 401(a) plan, which must be set by the employer. Information on the changes will come to your employer and to you directly, from the System and/or CitiStreet.

REMINDERS

Please include your Social Security Number in all of your correspondence with us. It makes it much quicker and easier for us to locate your file and assist you with your retirement inquiries.

If you are within twelve months of retiring, call the Maine State Retirement System at (207) 512-3100 or toll-free 1-800-451-9800 to request an estimate of your benefit.

Portability continued from page 2

mean a much lower benefit than if all service had been portable and the benefit based on one AFC.

This split benefit concept continues to apply to service earned that is not part of the Consolidated Plan, either because the service was not portable before the Plan went into effect or because the employer is not part of that Plan. In most situations where a member has employment under the State employee/Teacher plan and employment with a participating local district, portability of benefits will not be provided for and a split benefit will result. Likewise, a member who has employment with multiple participating local districts, where the service is not considered part of the Consolidated Plan, also will receive a split benefit.

Although it may not be the determining factor, if you are considering changing from one MSRS-covered employer to another MSRS-covered employer, you may want to contact the System to determine what impact that change could have on your retirement benefit. You may also want to contact the System if your current membership service has been earned with different MSRS-covered employers so that you are aware as to how previous changes in employment may impact your retirement benefit.

MEMBERSHIP STATISTICS

The numbers of the System's active members and of its benefit recipients change constantly. Individuals begin or end active employment, become disabled or rejoin the workforce, start to receive service, disability or survivor benefits, or leave benefits payroll. Nonetheless, a "snapshot" number as of a given date that is the same from year to year gives a picture of year to year changes. The System uses June 30 of each year, that being the last day of each fiscal year. Data for active members and for benefit recipients as of June 30, 2002 are:

Active MSRS Members as of June 30, 2002

State Employees	14,935
Teachers	34,629
PLD Employees	9,022
Legislative Members	170
Judicial Members	54

Total Active Members 58,810

Recipients of MSRS Benefits as of June 30, 2002

Service Retirees	23,626
Retiree Beneficiaries	3,265
Disability Retirees	2,218
Ord./Accidental Death Beneficiaries	989

Total Benefit Recipients 30,098

Need An Explanation of the IRS Form 1099-R?

In January of each year, the Maine State Retirement System mails an Internal Revenue Service Form 1099-R to each person who received either a benefit payment or a refund of contributions in the prior calendar year. For an explanation of Form 1099-R and the information reported on it, please visit www.msrs.org and click on the **1099-R** icon found on the home page.

Those members and retirees without Internet access may contact the MSRS to have a printout mailed to them.

Planning to Visit MSRS?

The System welcomes visits from its members, retirees and employers. If you need to speak to someone about your retirement plans, please call for an appointment to ensure that the person you need to talk with is available. General information, downloadable forms, and answers to frequently asked questions may be found at www.msrs.org. Of course you are always welcome to call or visit MSRS' office in Augusta.

If you are planning a visit, the System is located in Augusta on the corner of Sewall and Capitol Streets. If traveling North on I-95, take Exit 30; if traveling South, take Exit 30-A onto Western Ave. Continue 1.1 miles and turn right at the Federal Building onto Sewall St. If you are coming off Memorial Circle onto Western Ave., turn left at the first light onto Sewall St. Proceed 1/10th of a mile, turn right onto Wade St. across from the parking garage and immediately left into the MSRS parking lot.

MSRS and Social Security

If you are eligible to receive Social Security retirement benefits either because you worked in a Social Security covered job or because your deceased spouse did, the amount of your Social Security benefit may be affected by your receipt of a Maine State Retirement benefit.

The Social Security provisions at issue are the windfall elimination provision (WEP)(Social Security benefits for your own work) and the government pension offset (GPO)(Social Security benefits as a spouse or widow(er)).

Neither Maine law nor Retirement System policies cause the effects of these provisions. The effects result from federal law administered by the Social Security Administration (SSA). To obtain information about any effect from receiving MSRS benefits on your Social Security benefits, please contact SSA directly.

Social Security Administration (Augusta Office)

Phone: (207) 622-1451

Toll-free: 1-800-SSA-1213

Fax: (207) 622-8398

<http://www.irs.gov>

Mailing Dates for Benefit Checks and Advices of Deposit in 2003

As a general rule, the MSRS delivers benefit checks and advices of deposit to the U.S. Post Office in Augusta on the next to the last day of the month. When the next to the last day is either a Saturday or Sunday, they will be delivered on the Friday preceding. For the remainder of 2003, checks and advices of deposit will be delivered to the U.S. Post Office on the following dates:

March 28, 2003	August 29, 2003
April 29, 2003	September 29, 2003
May 30, 2003	October 30, 2003
June 27, 2003	November 26, 2003
July 30, 2003	December 30, 2003

MSRS Contact Information

SPECIALIZED MSRS UNITS

For State Employee, Legislative or Judicial Members:
(207) 512-3158

For Teacher Members:
(207) 512-3159

For Participating Local District (PLD) Members:
(207) 512-3247

OTHER PROGRAMS

Group Life Insurance:
(207) 512-3244

Disability:
(207) 512-3170

All other inquiries should be made by calling the following numbers:

Main: (207) 512-3100
Toll-Free: 1-800-451-9800
Fax: (207) 512-3101
TTY: (207) 512-3102



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Published by: Maine State Retirement System
46 State House Station
Augusta, ME 04333-0046

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MSRS WEB SITE

www.msrs.org