

Message from the Executive Director

Interest in the financial markets, their impact on our economy, and retirement accounts in general has rarely been higher in our lifetimes. Focus on public pension systems across the country is at an all-time high.

Why is this the case? There are several reasons, but the most significant are:

- Most public employee pension plans are defined benefit plans. Many private sector employers have either moved to or adopted 401(k) type plans in recent years. This has contributed to a debate about which type of plan is better. (Public employees who participate in Maine's State/Teacher Plan are not eligible to participate in Social Security, unlike private sector employees and public employees in most other states, which is an added factor when discussing Maine's plans.)
- The 2008 market downturn has reduced the funds most states have set aside to pay future benefits. This has raised questions across the country about where the money will come from to fully fund public defined benefit plans that are not currently fully funded.



Will Maine be part of this national debate about public pensions?

The answer is yes – Maine's public pensions are likely to be a source of considerable discussion over the upcoming months and into the 2011 Legislative session.

By now you have no doubt read or heard any number of stories in the news about the Maine State Employee and Teacher Retirement Program (State/Teacher Plan). The primary reason is because in July, MainePERS announced that the rates, or percentage of payroll the State of Maine pays to fund the State/Teacher Plan each year, will increase to begin to reflect the impact of the 2008 market downturn.

The State is paying \$629 million to the State/Teacher Plan for the 2010-2011 biennium. This amount will increase to \$916 million in the 2012-2013 biennium (\$448 million for fiscal year 2012 and \$468 million for fiscal year 2013) for a total increase of \$287 million over the current biennium. The amounts the State must pay are expected to continue to increase over the next several years.

What makes Maine unique in this national debate?

Prior to the 1990s, funding the State/Teacher Plan was not a consistent priority. Inconsistent funding over the history of the plan left it only 36% funded by 1991. This means the plan had a substantial unfunded liability.

What makes Maine unique is the way it tackled the problem over 15 years ago. The State of Maine made funding the State/Teacher Plan a high priority in the early 1990s. This commitment was given the maximum strength possible when a constitutional amendment was passed in 1995 requiring the State/Teacher Plan

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- Thinking About Retirement?

and more!

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EXECUTIVE DIRECTOR

Sandra J. Matheson

**General Counsel and
Chief Deputy Executive Director**

John C. Milazzo

Mailing Address

46 State House Station
Augusta, ME 04333-0046

Location

96 Sewall Street, Augusta, ME

Phone

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

RETIREMENT SERVICES

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

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(207) 512-3247

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(207) 512-3200

GROUP LIFE INSURANCE

(207) 512-3244

DISABILITY

(207) 512-3170

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to be fully funded by 2028. In addition, no new unfunded liabilities can be created and market losses need to be paid off over a ten-year period.

The unfunded liability today is approximately \$4.4 billion. Paying this debt down to zero requires total payments that are over double the amount of the debt, similar to the way a home loan requires more in payments than the principal amount of the loan. The State of Maine is required by the Maine Constitution to eliminate this debt by 2028.

The State was well-positioned to pay this debt down to zero prior to the 2008 market downturn. They were consistently funding the plan at approximately 20% of payroll. The amount owed each year will continue to increase due both to inflation and the recovery of market losses.

The news stories and conversations you hear over the upcoming months will revolve around this dilemma.

What has MainePERS done to assist with this problem?

MainePERS maintains the highest fiduciary standards in managing the investments in the fund. The Board of Trustees and staff manage the fund with the overall goal of responsible growth.

MainePERS believes that assisting everyone who is interested in understanding the facts about the plan and the funding will help create productive discussions. We have been sharing information and meeting with those interested in learning about the plan, how it works, and how it is funded. Please feel free to share your questions with us at any time.



Cost of Living Adjustment (COLA) Update

The MainePERS Board of Trustees set the 2010 COLA at their August meeting. Based on the law, they voted to set the COLA at 0% for 2010. This is because the CPI-U for the fiscal year ending June 30, 2009 was -1.4%, resulting in a COLA of 0% for 2009 and a cost to the retirement plan which has to be recovered. The CPI-U for the fiscal year ending June 30, 2010 of 1.1% will be used to partially offset the cost to the plan created by not setting the COLA at -1.4% in 2009.

Retiree Cost-of-Living-Adjustments are calculated annually, by law, based on the Consumer Price Index for All Urban Consumers (CPI-U) as of the end of each fiscal year ending June 30th. The law provides that a negative COLA will not reduce current benefits, and instead must be fully recovered from future positive COLAs. Future COLAs will be adjusted until the full financial impact of the 2009 COLA is fully recovered.

Thinking About Retirement?

A recent study by the Carsey Institute at the University of New Hampshire reported that 22 percent of men and 13 percent of women over age 65 are employed in some capacity. Working longer is an issue of economic necessity for some, and simply a preference for others.

Are you thinking about whether to retire, continue working for your same employer, or retiring and looking for new employment opportunities? If you decide to continue working, staying with your same employer may be a good choice for you. As a MainePERS member, you receive additional service credit for each year of work. As you continue to accrue service credit while working in a MainePERS covered position, your MainePERS retirement benefit increases.



Understanding how continuing in MainePERS-covered employment may affect your eligibility for other benefits, such as Social Security Benefits, is an important factor in your decision. Your local Social Security office is the best source for information. Additionally, MainePERS can answer your questions about the requirements for returning to work with the same employer if you retire before your normal retirement age.

If you know you are ready to explore new employment opportunities, check the Internet for the many resources available to inform your job search. Two places to start are AARP (aarp.org) and Kiplinger (kiplinger.com).

Purchasing Service Credit Towards Retirement

There are several situations in which you may find yourself that allow you the opportunity to purchase service credit toward your retirement. You may have discontinued your membership by taking a refund of your contributions. Or you may have military time. Or you may have taught out of state before working in Maine. Eligible MainePERS members can buy this type of time back toward their retirement.

Why consider buying time? When you buy eligible time, you create additional service credit which can mean earlier retirement, a higher retirement benefit, or having enough years to qualify to retire.

The cost to purchase time, or service, varies with each individual's personal situation. The primary factor to consider when evaluating whether to buy additional service is whether the increase in your retirement benefit from the additional service credit is likely to exceed the cost to purchase the service.

This is a decision only you can make. We can assist you by providing the amount of the benefit increase that would result from the additional service credit. We can also share other factors that you might want to consider.

Purchasing service can be expensive and can require verification from former employers. The earlier you begin your inquiry, the better equipped you will be to make a decision.

We are available and ready to answer your questions. Please call or e-mail RetirementServices@mainepers.org to learn more about the types of service eligible for purchase, and payment options.

National Save for Retirement Week

Congress has designated **October 17-23** as National Save for Retirement Week. During this time, MainePERS urges members to review their finances and consider whether they are on track to meet their personal retirement goals. Regardless of when you plan to retire, this is a good time to evaluate the status of your retirement savings.

In conjunction with this designated savings week, we'll offer some helpful cost-saving tips that can help you save money. Some are surprisingly simple, but they can have a big impact on your budget.

Visit www.mainepers.org the week of October 17th - 23rd!



Saving Today to Afford Retirement Tomorrow

MAINE START

A comfortable and safe retirement is a goal we all share. No matter what your age, there is no better time than now to consider whether you will have enough set aside to feel financially secure when you retire. Many experts believe a good goal is to create a retirement income of 70-90% of your working income. We agree and have great tools to assist you in achieving that goal.

Your MainePERS or Social Security benefits are two tools that provide a good retirement income foundation. Your next decision is how to supplement these. That's where another tool, **MaineSTART**, comes in – it's a tax-deferred savings plan designed to help you build your retirement savings.

What is a tax-deferred savings plan? This is a savings plan in which the money you save out of your current wages is taxed when you withdraw it in retirement, not in the year you earn it. Equally important, you do not pay taxes on your savings growth until you withdraw it in retirement. And tax-deferral applies even if you start out by saving just a small amount. In the end, every dollar you save matters.

You may be wondering “how much can I save?” or “where do I invest my savings?” With **MaineSTART** you:

- are in control and have our assistance any time you need it.
- have the flexibility to determine the amount to contribute through payroll deduction.
- choose among six low cost Vanguard® mutual funds, including Target Retirement funds.

Check with your employer about participating in **MaineSTART** or visit mainestart.org for more details.

Paying for Health Care in Retirement

Some of our expenses are lower in retirement, such as work clothing or transportation to and from our jobs. This is not true with health care costs which almost always increase as we get older.

Health care costs may be the most difficult retirement expense to predict. A study by the Employee Benefit Research Institute found that a couple both age 65 today, living to average life expectancy, could need more than \$300,000 to cover premiums for health insurance coverage and out-of-pocket expenses during retirement. For example, most health insurance plans do not cover eyeglasses, hearing aids, dentures or long-stay nursing home care. Planning for these costs is an important part of predicting what you will need for retirement.

MainePERS does not administer any health insurance programs, but we can help by pointing you in the



right direction. Whether you're an active member or a retiree, a place to start is with your employer or union/professional organization. Visit the [Retired Members](#) section of our website for the list of contacts for Retiree Health and Retiree Dental insurance administrators.

Verify Your Group Life Insurance Designation of Beneficiary Forms

Sometimes life sneaks up and suddenly you realize that you should plan for those unexpected what ifs. Planning ahead- whether you're thinking of your own needs or the needs of others- can help you avoid any unnecessary legal or family problems later.

Individuals who become members of MainePERS are asked to complete several different forms as part of the process of joining the System. Two of those forms are [Designation of Beneficiary: Pre-Retirement Death Benefits](#) and [Designation of Beneficiary-Group Life Insurance](#). Completing these forms provides you with the opportunity to tell us how you would like to see your membership benefits and group life proceeds paid out if you die.

Payment is made based on the last completed forms you submitted to MainePERS. We encourage you to review or update your beneficiary designation(s) after a life changing event, such as marriage, divorce, death, birth, or dependent children reaching adulthood. Change of beneficiary forms are available from your payroll office, the

(4) MainePERS office, or may be downloaded from the [Forms](#) section of our website.

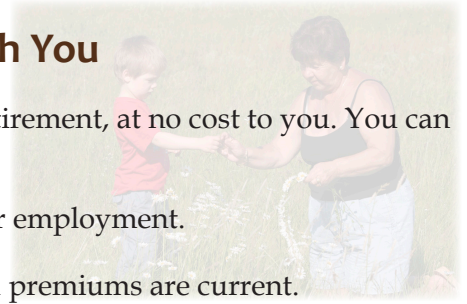
Life Insurance--You Can Take it with You

Your MainePERS Group Life Insurance is another benefit that carries into retirement, at no cost to you. You can continue group life insurance at the Basic coverage amount if you:

- Apply to retire, and retire, within 31 days of terminating your employment.
- You have ten years of Group Life Insurance participation and premiums are current.

For teachers the date you stop working and your retirement dates are critical to preserving your basic insurance coverage into retirement. MainePERS can explain how these dates work with your teaching contract year.

To learn more about the Group Life Insurance program, contact our Survivor Services Unit at 1-800-451-9800, or e-mail SurvivorServices@mainepers.org.



What happens if you become disabled before you retire?

If asked to consider the benefits of membership in the Maine Public Employees Retirement System, most public employees would probably think first of future retirement income. After all, that is the primary function of a retirement system. However, another important feature offered by MainePERS is the disability retirement benefit.

If you become disabled and can no longer work, it's good to know that you have this type of long-term disability income.

The MainePERS website has a dedicated section with information about the Disability Program. The information includes detailed eligibility requirements, FAQs, information on when and how to apply as well as the application package and forms.

For details regarding requirements governing your specific situation, contact the MainePERS Disability Unit. A MainePERS representative would be happy to answer questions over the telephone or to assist you in person with completion of the application.

Eligibility Requirements:

- Having a permanent physical and/or mental incapacity that makes it impossible for you to perform the required duties of your job and your employer is unable to modify your job duties.
- Your incapacity occurred while you are employed.

Benefit Summary:

- The benefit payment is a percentage of your average final compensation, which is derived from your three highest years of earnings.
- Other types of income may affect your benefit. For example, if you receive Workers' Compensation or Social Security benefits for the same condition, your benefit may be reduced.



Save Money By Doing an Energy Audit

For many, the first step to saving energy around the house is assessing how much you actually use every day. There are many things that will likely surprise you, as well as easy fixes that will make an immediate impact. You can hire a pro analyst, or conduct your own quick energy audit. A handy checklist to guide you through this process may be found on the "Home Energy Audit" page at www.thedailygreen.com.



Ginseng, Fish, Berries or Caffeine?

Listen to the buzz about foods and dietary supplements and you'll believe they can do everything from sharpen focus and concentration, to enhance memory, attention span, and brain function. But do they really work? There's no denying that as we age chronologically, our body ages right along with us. The good news is that you may increase your chances of maintaining a healthy brain—if you add “smart” foods and beverages to your diet. Check out the online slideshow: *Brain Foods That Help You Concentrate* at www.webmd.com.

Paid and Unpaid Leave at Retirement

Q: Does payment for unused vacation and/or sick leave increase my retirement benefit?

A: If your retirement plan provides for it, payment at retirement for unused vacation and/or sick leave could increase your retirement benefit. MainePERS reviews your employer's paid leave provisions and determines whether you can use any payment you receive towards your retirement benefit.

If we determine a payment you receive can be used, we include up to 30 days (at your daily rate) of paid vacation/sick leave in your average final compensation. Sometimes the paid leave may put your earnings over the earnings limitation cap. In that case, we use as much of the paid leave, if any, as allowed. MainePERS will send you a refund of retirement contributions on any vacation/sick leave earnings that exceed the cap limitation. The earnings limitation cap does not apply to Participating Local District Members.

Q: What about the vacation or sick time that I haven't used and will not be paid for?

A: For most retirees, MainePERS grants additional service credit for time that is available at termination from your final employer. The maximum number of days for which you can receive credit is 90.



PERS Pic - Fall 2010

There is no better way to experience Maine's natural beauty than taking a fall “leaf peeping” trip. If you want to see the height of Maine's most vivid colors, the best times are the last week in September through October 18th — at this point, all the trees are changing color and you'll see a variety of dramatic gold and red tones. Maine's fall landscapes are a treasure trove for photographers, both amateur and professional — so make sure to take your camera!

(6)

Have a photo you'd like to share in the newsletter? Send it to Communication@mainepers.org.

MainePERSpective is written and printed to meet your needs. Articles are based on timely information important to you as well as common questions asked by many of our members. Our newsletter is printed and also made available online, which helps us reach members in the way they prefer. We respect the environment by printing on recycled paper and using soy-based inks—for a cleaner, healthier planet.



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Augusta, ME 04333-0046

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