

## New Name and Look for Newsletter



It is our pleasure to bring you this new format of the Retirement System's newsletter. Formerly known as *Retirement News*, the redesigned publication, now called *MainePERSpective*, will continue to provide MainePERS information to members, employers and retirees.

The System mails issues of the newsletter to members' and retirees' home addresses. To conserve resources, only one copy is mailed per household.

This issue, along with past issues, is available online at [www.mainepers.org](http://www.mainepers.org) (see Publications). MainePERS uses the Web site to post important news and other information. We encourage you to check the site periodically.

## MainePERS Investments and Current Economic Conditions

As the System's Chief Investment Officer, I would like to address the impact that the world-wide selloff in stocks has had on the MainePERS portfolio. Since January 1, 2008 through October 30, 2008 U.S. stocks are down 34% and foreign stocks are down 47%. For the same period, preliminary estimates show MainePERS' investments to be down between 24% and 28%.

**The extraordinary events** of the last few months are distressing for all investors. It is important to remember that the market declines do not affect the amount of a retiree's MainePERS Defined Benefit retirement benefit. (See *Message from the Executive Director*.) This of course does not mean that asset losses are of no consequence. Losses over an extended period of time that are not recouped through investment earnings could require greater contributions to the fund.

**MainePERS has a long range investment policy** designed to withstand market fluctuations. This policy has been crafted based on a comprehensive study of System assets (investments) and liabilities (benefits). The study analyzed the performance of various types of assets in both strong and weak economic environments and identified strategies that would balance the goals of maximizing performance and protecting the portfolio in extreme market conditions. Our *proactive* strategic planning takes the long-term view and reduces the need to be *reactive* in the short-term.

Major Financial Crises Since 1980	
1982	Mexico defaults on bonds leading to international debt crisis
1987	Black Monday: Dow drops 22.6%
1989-1991	United States S&L and Latin American debt crises
1992-1993	European Monetary System crisis
1994-1995	Mexican peso crisis, requiring \$50 bn U.S. government guarantee
1997-1998	Asian financial crisis, requiring \$40 bn IMF bailout
1998	Russian default and LTCM
2001-2002	Argentine default, dot-com bust, Sept 11 terrorist attacks
2007-2008	Subprime mortgage crisis

Source: Pacific Investment Management Company, LLC

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## Retiring Early and Returning to Work

Most members know that if you retire before normal retirement age for your plan, you receive a reduced benefit. Members may not be aware of other restrictions that apply to retiring early and returning to work for the "same employer." "Same employer" is a term used by the IRS that loosely translates to mean all employers who cover their employees under the same retirement plan. For example, public school teachers and State employees are covered under the same plan; so a member who retires early from teaching at a school district and takes a job with the State or another school district, would be considered working for the "same employer."

If you plan to retire early, you are not permitted to engage in discussions with any "same employer" about a return to work. If you return to work for

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**MainePERSpective**

Published by Maine Public Employees  
Retirement System (MainePERS).

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the Communications Department.

## Message from the Executive Director

Despite the negative news about our financial markets, I want to confidently assure you that, for our retirees, the amount of their MainePERS retirement benefits have not been, nor will they be, affected by declines in market performance, failures of large banks, or decreases for whatever reason in the assets of MainePERS. I can say this because the MainePERS primary retirement plan, importantly, is a "Defined Benefit" Retirement Plan (DB plan).

By definition, this means that upon vesting in a MainePERS DB Plan, the amount of the monthly retirement benefit is "defined" or fixed by a formula that uses age, service credit and earnings to establish the retirement benefit. The contributions to the Plan are invested and managed by MainePERS but the balance of those assets does not affect the amount of retirement benefit a retiree will receive.

This is in contrast to a "Defined Contribution" Retirement Plan (DC plan) in which it is the contribution amounts to individual employees' accounts that are "defined" or fixed. In a DC Plan, the employee decides how to invest the contributions and the amount of the eventual benefit depends entirely on the employee's account balances, which of course are affected by positive or negative investment performance. Present media reports of significant losses to individual retirement plans are referring to assets invested in DC Plans.

This conceptual difference between the two types of primary retirement plans is succinctly expressed in terms of downside investment risk. With a DB Plan, the downside investment risk falls completely on the employer, while in a DC Plan, that risk is borne completely by the employee. In a DB Plan, the employee receives the same defined retirement benefit regardless of how MainePERS investments perform. In a DC Plan, the employer pays the same contribution regardless of how investments perform, and in a down market, the member's account balance available for retirement can be diminished.

When the employer bears the investment risk as in the MainePERS DB plan, should investment earnings be insufficient over a long period of time and greater funding of the plan be needed, this additional funding cannot be generated by cutting the retirement benefits of retirees. Since employees' contributions in our DB plan are fixed by law, it is usually the employer who pays any necessary contribution increases, although all laws are subject to amendment. How the employer acquires this new funding in times of economic difficulty is a complex subject and beyond the scope of this message. My important point is that retirees should rest assured that their retirement checks cannot be cut for this purpose.

To many of our retirees, this message is old news. However, I am writing on this subject because the System continues to receive numerous calls from retirees who remain fearful about their benefits. I hope and intend that this message bring greater comfort and reassurance to all our retirees.



### Flu Shot Reminder

Any person who is covered by the State health insurance plan, whether employee, dependent over 18 of employee or MainePERS retiree, is eligible to receive a flu shot. For a list of seasonal flu shot clinics inside and outside the Augusta area, visit [www.state.me.us/beh/FLU%202004/FluShotEmployeepage.htm](http://www.state.me.us/beh/FLU%202004/FluShotEmployeepage.htm). MainePERS flu clinic will be held Wednesday, December 10<sup>th</sup> from 12:15pm - 2:45pm by appointment (1-800-451-9800). To receive the vaccination at no charge, you must present your state health insurance card.

## Retirees & Beneficiaries New Advice of Deposit

Later this year MainePERS retirees and beneficiaries will see changes in the look of their advice of deposit. The changes are intended to make the advice of deposit easier to read by eliminating information not relevant to most benefit recipients. You will continue to receive an advice of deposit in January, June, September and December. You will also receive an advice of deposit whenever there is a change in your net benefit of more than one dollar. As always, if you receive a paper check, MainePERS encourages you to switch to having your benefit payment deposited directly into an account at your financial institution. To the right is a sample of what a new advice will look like.

INFORMATION FOR RECIPIENT					
Space that MainePERS will use for messages.					
000001 201717					
Payee Name:			Payee SSN: XXX-XX-9999		
Earnings			Deductions		
	Current	Year-to-Date		Current	Year-to-Date
Service Retirement	\$1396.51	\$12568.59	Federal Tax	\$13.00	\$117.00
			Maine State Tax	\$8.00	\$72.00
			MAR Dental	\$60.44	\$543.96
			MAR Dues	\$1.25	\$11.25
			Total Deductions	\$82.69	\$744.21
Total Earnings	\$1396.51	\$12568.59	Net Earnings	\$1313.82	\$11824.38
	Period			Paid Date	
			09/01/2008 to 09/30/2008		
			09/29/2008		

## MainePERS Investments *continued*

**MainePERS monitors the markets closely.** Our Staff regularly analyzes our investments and briefs the Board of Trustees on the status of System funds. MainePERS investments are broadly diversified across four major asset classes: U.S. stocks, foreign stocks, real estate, and bonds. Because the portfolio is so well diversified, we can to some extent offset stock market losses by having holdings in other asset classes. The MainePERS portfolio also has abundant liquidity despite the credit crisis. Our ability to have cash on hand to make benefit payments is not in jeopardy.

**Navigating financial crises is not new to MainePERS.** The chart on the front page shows major financial crises in the markets since 1980. MainePERS experienced all of these events and successfully navigated a path through them. While no one knows the future with certainty, I am confident that the current volatility in the financial markets will subside and that investment returns for our portfolio will make a strong comeback, as has occurred following past financial crises.

*Andrew H. Sawyer, CFA,  
Chief Investment Officer*

## Retiring Early and Returning to Work *continued*

the "same employer," you must wait at least 30 calendar days after your termination of previous employment, and you may not work more than 60 days in a year. If you don't follow these requirements, your retirement benefit could be suspended and you will have to repay the benefits received during any period when the benefit should have been suspended, plus interest. In addition, you may be subject to a one-time penalty of \$100 for each instance of noncompliance. MainePERS will re-instate your benefits, less any repayment due, the first of the month following either your termination from post-retirement employment or reaching your normal retirement age, whichever is sooner. We urge that you not rely on advice from co-workers or others as to the meaning of the requirements. A detailed explanation of MainePERS rule Chapter 410 may be found on our web site at [www.maineper.org](http://www.maineper.org).

## MainePERS Web Site Has New Look and Content

MainePERS has redesigned its web site [www.maineopers.org](http://www.maineopers.org) to make it easier for employers, members and retirees to find the information of most interest to them. State, Teacher, PLD, Judicial and Legislative members now can search a dedicated page that has information about the plan that covers their category of MainePERS membership. There also are special sections for Retirees and Employers.

You also will find information about System operations, investments, benefits, legislation, publications, member handbooks, forms, laws, rules, links to other sites, and answers to frequently asked questions (FAQs). We invite you to visit the System's new web site.

Our goal is to provide information you can use to better understand the benefits of your retirement plan and to assist you in retirement planning. The launch of the new [mainepers.org](http://mainepers.org) establishes the platform for future MainePERS efforts to improve customer service by making more products and services available online.

We welcome your ideas for other information you would like to see on the site. Please send comments and suggestions to [communication@mainepers.org](mailto:communication@mainepers.org).

## More Employers Join MaineSTART

More PLD employers are adding MaineSTART, the System's tax deferred savings program, to their benefit line up. Since January 2008 the following employers have enrolled:

- Belfast Water District
- Berwick Sewer District
- Cumberland County
- Town of Dexter
- Jay School Department
- City of Lewiston
- Sagadahoc County
- Wells Ogunquit CSD

MaineSTART is a simple, low-cost, tax-deferred program that nicely compliments the traditional MainePERS defined benefit plan. It is open to all PLD employers and employees, including teachers whose employer is a PLD. For more information about MaineSTART, contact [DCAdmin@mainepers.org](mailto:DCAdmin@mainepers.org) or visit [www.mainestart.org](http://www.mainestart.org).

The logo for MaineSTART, featuring the word "MAINE" in a smaller font above the word "START" in a larger, bold font, both in a teal color.

## Welcome to New and Returning Participating Local Districts

The System extends a warm welcome to our new and returning Participating Local District (PLD) members and their employers. Effective July 1, 2008, the following are the newest employers to join the PLD Consolidated Plan: [Town of Grand Isle](#); [Town of Newport](#); [Town of Monmouth](#); the [Newport Water District](#) and [Regional School Unit #1](#). Returning to MainePERS is the [Cape Elizabeth Police Department](#).

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The logo for MainePERS, featuring the word "maine" in a small font above "PERS" in a large, bold font, with "Public Employees Retirement System" written vertically to the right of "PERS".