



Maine State

Retirement News

for Members, Retirees and Employers

Maine State Retirement System

Winter 2004

MEMBER STATEMENTS: A STATUS REPORT

Readers of the fall 2003 Retirement News might recall our article announcing the issuance of the first "wave" of Member Statements. Member Statements provide recipients with, among other things, key information about their retirement status such as the amount of service credit accrued and any service available for purchase, as well as current beneficiary information. We are pleased to be able to report that some 6,000 Member Statements have now been distributed to certain State employees, and we continue to increase this number for State employees on a regular basis.

MSRS has already received a number of calls from State members who, upon reviewing their membership information, have decided that they would like to change beneficiaries or wish to inquire about purchasing service that is available to them. These sorts of follow-up calls are exactly what we had hoped to see as one of the key outcomes from issuing Member Statements. The importance of keeping beneficiary designation information updated cannot be overstated and we believe that providing members with the amount of service credit will be invaluable for retirement planning.

The next major piece of this project will be the development of additional automated systems needed to issue updated and automated Member Statements to State employees on a regular basis into the future. It is slow and painstaking work to convert paper records to automated data, to manually determine service credit totals, and to build automated systems that will calculate service credit into the future. It's a long road we're on but one that will eventually benefit all of our members. We will next turn our attention to automation of member records and creditable service for teachers, who will receive Member Statements in "wave" two.

AMENDED RULE MAILED IN FEBRUARY

You should have recently received a copy of MSRS Rule amended Chapter 803, entitled PARTICIPATING LOCAL DISTRICT CONSOLIDATED RETIREMENT PLAN. Included in the mailing was a revised Table of Contents for your MSRS Rules book. If you did not receive this information, please contact the Retirement System.

2003 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 they had income other than their MSRS disability benefit in calendar year 2003.

Accompanying the 2003 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 2003 ASC form and relevant attachments: no later than April 20, 2004.

If you are the recipient of an MSRS disability benefit and believe you may have exceeded your 2003 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

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ATTENTION MEMBERS!

Future issues of *Retirement News* will be mailed to your home address instead of being distributed through your employer.

We need your help to make sure that we continue to maintain a current address for you on file. Please notify us immediately when your address changes through one of the following options:

1. Complete an MSRS Member/Retiree Data Update form. (The form is available through your employer, or you can download it from the homepage or Forms section of our Web site at www.msrs.org.)
2. Contact the MSRS Membership Services Eligibility Division at 1-800-451-9800 or locally at 512-3200.

MESSAGE FROM THE EXECUTIVE DIRECTOR

One Thing We Don't Do

It was brought home to me recently that some amount of confusion still exists about what's included in the Retirement System's range of responsibilities and what isn't. For our members and retirees, I think the most significant confusion, and the most frustrating, is about health insurance.

Let's cut through the confusion with a basic fact: the Retirement System doesn't do health insurance. We don't administer any health insurance programs. We don't make any of the decisions about health insurance coverage for any of our member or retiree groups. That is, we don't make any of the decisions as to what health conditions or services are covered by any health insurance policy or program, and we don't make any of the decisions as to which people are covered by a policy or program or are eligible for coverage. We don't make any of the decisions about the dollar amounts of health insurance premiums. We don't make any of the decisions as to whether premiums will be paid by individuals, by employers, by the State, or by some combination of these. As I said, the Retirement System doesn't do health insurance.

This health insurance stuff is a lot less confusing to actively working MSRS members than it is to MSRS retirees. It's clear to actives that health insurance while they're working comes by way of their employment. Even actives, though, may be confused about health insurance in retirement. There's no question that many retirees are confused.

I think there's a reason for retirees' confusion. I said above that active employees associate health insurance with their employer. Retirees have left employment, and associate their health insurance with their retirement. The Retirement System "does" retirement, and perhaps that's why retirees connect their health insurance to us. But that connection is not real. Health insurance in retirement is a benefit connected to employment, just like health insurance while working is. It's a benefit that is not received until one retires from employment, but it is received in retirement because of employment.

The only real connection that the Retirement System has to health insurance in retirement is the "mechanical" role of making payroll deductions from retirees' retirement benefits for health insurance premiums and transmitting the deducted funds to each retiree's health insurance provider. We make those deductions only when a retiree has requested that the deduction be made and the insurance provider has given

the System the premium information that the System needs to make the deduction. (Our benefits payroll system also calculates the amount that the State owes to health insurance providers for the State's share of retirees' health insurance premiums and we provide that calculation to the State, which then pays the insurance providers.) The role of making deductions has nothing to do with health insurance coverage or premium amounts or who pays the premiums. (On this last point, the Retirement System has no role in establishing what percentage the State will pay of retired teachers' health insurance premiums. That percentage is established by the Legislature in a state law. Likewise, the percentage that the State pays of retired State employees' health insurance premiums is set by the Legislature in state law. For State employees hired since 1991 the percentage is based on years of service with the State.) Nor does the deductions role mean that Retirement System funds are paying for retiree health insurance. Rather, we are simply moving other people's money - that is, we carry out retirees' directions to move their money to pay their health insurance premiums - and we calculate how much of its money the State needs to move to pay health insurance providers.

Who's to answer your questions about health insurance coverage and benefits and premiums if not the Retirement System? Here's our best advice. Whether you're an active member or a retiree, a place to start is with your employer. For active State members and for State retirees, that may mean your agency's personnel office or it may mean the State Employee Health office. For teachers and PLD members, it probably means your employer's personnel office. Alternatively, in all cases, call your insurance provider directly. If your employer thinks you should talk to the insurance provider, or your insurance provider thinks your question should go to your employer, they'll no doubt tell you.

Even if your question is about payroll deduction for health insurance premiums from your retirement benefits, the first place to call is your insurance provider (your employer may be able to help you get in touch with your provider). The insurance provider is responsible to know the correct premium amount for you and to carry out the steps to establish your payroll deduction with the System. If your insurance provider tells you it has figured the premium correctly and has done everything it is supposed to do to establish the deduction with the System, insist that the

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provider call us. In these circumstances, it's probably a "mechanical" problem and we can work with the provider to figure it out and get it fixed.

INVESTMENTS: There's the market, and then there's what's important. No doubt you know that the investment markets were quite strongly positive in 2003. The Retirement System's assets substantially increased as a result and our investment return greatly improved. The "down years" are too recent for anyone to have already forgotten that such years will inevitably occur. The "upturn" has so far been bouncy, too bouncy to lull anyone into thinking that it's all solid and all up from here.

In times like these, as in times of clear downturns and clear upturns and bubbles, remind yourself that (1) your MSRS retirement plan is a Defined Benefit plan; (2) the amount of your retirement benefit in your Defined Benefit plan depends only on service credit, earnable compensation and accrual rate (the value of each year of service); and (3) the amount of your retirement benefit in your Defined Benefit plan isn't affected by how the investment markets perform.

Those three things add up to what's important: in a Defined Benefit retirement plan investment risk does not fall on those who now receive or will in future receive benefits. That means that while good investment return does not get you a bigger retirement benefit, poor investment return doesn't get you a smaller one.


Executive Director

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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 20, 2004 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 2003 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 20, 2004 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 2003 ASC and all supporting documentation by the April 20, 2004 filing deadline. The Disability staff is available to assist disability recipients with questions about the ASC process.

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, visit www.msrs.org and click on **1099-R** under Special Topics found on the home page.

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

MARK YOUR CALENDARS

2004 Holiday Schedule

The MSRS office will be closed in observance of the following holidays for the remainder of 2004:

Patriots' Day	Monday, April 19 th
Memorial Day	Monday, May 31 st
Independence Day	Monday, July 5 th
Labor Day	Monday, September 6 th
Columbus Day	Monday, October 11 th
Veterans Day	Thursday, November 11 th
Thanksgiving Day	Thursday, November 25 th
Thanksgiving Friday	Friday, November 26 th
Christmas Day	Friday, December 24 th
New Year's Day	Friday, December 31 st

Mailing Dates for Checks and Advices of Deposit

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 2004, checks and advices of deposit will be delivered to the U.S. Post Office on the following dates:

February 27, 2004	August 30, 2004
March 30, 2004	September 29, 2004
April 29, 2004	October 29, 2004
May 28, 2004	November 29, 2004
June 29, 2004	December 30, 2004
July 30, 2004	



WHAT IS THE PRELIMINARY BENEFIT PROGRAM?

The Preliminary Benefit (PB) Program is a Maine State Retirement System (MSRS) program that can guarantee that its retirees begin receiving their retirement benefit payments with the earliest possible payroll following their effective dates of retirement.

When you are planning to retire you should contact us from 6 to 12 months before your anticipated retirement date. At that time, we will calculate an estimated monthly benefit amount based on the most current information available to us. Included with the benefit estimate we will send you will be detailed information about your benefit options, including what you and your employer will need to do in order for you to qualify for the PB program.

To determine the actual final amount of your benefit, the MSRS must receive your final payroll information from your employer after you terminate employment. If this does not happen before our monthly deadline to process benefit payments, your first monthly payment could be delayed by one to several months. Other circumstances, such as the large number of seasonal teacher retirements, can make it impossible for the MSRS to issue a payment of your finalized benefit amount immediately following your effective date of retirement. In order to avoid these types of delays, the MSRS offers the "Preliminary Benefit (PB) Program."

If you are eligible to participate in this program you would receive 90% of your **estimated** monthly benefit under the retirement option that you selected, from your first month of retirement until we are able to finalize your benefit amount. In the month that we are able to determine your **final** benefit amount, we will pay you that amount, plus the total difference between your preliminary and final benefit amounts from when we issued your first through when we issued your last preliminary payment.



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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.

The Maine State Retirement System does not discriminate against people with disabilities in its programs, activities, and employment. *Retirement News* can be made available in alternative formats. If you have such a request, please contact the Communications Unit.

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

Visit MSRS online at: www.msrs.org