

Plan Sponsor

The State of Maine is the plan sponsor, promising to pay a fixed monthly benefit to qualified judges at retirement based on a formula set by Maine law.

Benefit Plan

- 5-year vesting
- Age 60, 62 or 65 retirement
- Accrual factor:
 - o 2% for each year of service credit prior to June 30, 1998
 - o 3% for each year of service on or after July 1, 1998
- Maximum annual benefit:
 - o 70% of high three year average salary
- Disability benefits
- Survivor benefits
- Group Life Insurance
- Up to 3% annual Cost-of-Living Adjustment (COLA) on first \$20,000 of retirement benefits

Benefit Formula Sample

Trial Judge Salary: \$111,969
 High three years average Trial Judge salary: \$119,757
 Includes Imputed COLA; that is, those granted in FY 2003-04, 2004-05 and 2010-11.

EXAMPLE A

Length of service: 25 years, with 13 years before July 1, 1998 and 12 years after July 1, 1998.

Annual Full Benefit: $\$119,757 \times .02 \times 13 = \$31,137$
 $\$119,757 \times .03 \times 12 = \underline{\$43,112}$
\$74,249

EXAMPLE B

Length of service: 7 years, with all service after 7/1/98
 Annual Full Benefit: $\$119,757 \times .03 \times 7 = \$25,149$

Who is in State-sponsored Retirement Programs?

Fund Participants	No. of Employers	Active Employees	Disability Retirees	Retirees	Average Annual Benefit
Judges	1	59	1	62	\$49,854
Teachers	221	26,022	711	14,435	\$21,540
State Employees	1	13,862	1,009	12,093	\$17,616

Changes to the Judicial Retirement Program Enacted as part of the FY 2012-2013 Biennial Budget

PL Chapter 380 includes several changes to retirement programs for state employees, teachers, legislators and judges:

Retirement benefit cost-of-living adjustments frozen for three years (2011, 2012, 2013).

COLA capped at lower of Consumer Price Index or 3%.

COLA applied to first \$20,000 of benefit. The \$20,000 is indexed annually beginning in 2014, based on actual COLA applied.

"As funds available" annual retirement benefit adjustment in 2012, 2013, and 2014. Payment does not become part of benefit base for purposes of calculating future COLA.

Normal retirement age is 65 for new hires and employees with less than five years of service on July 1, 2011.

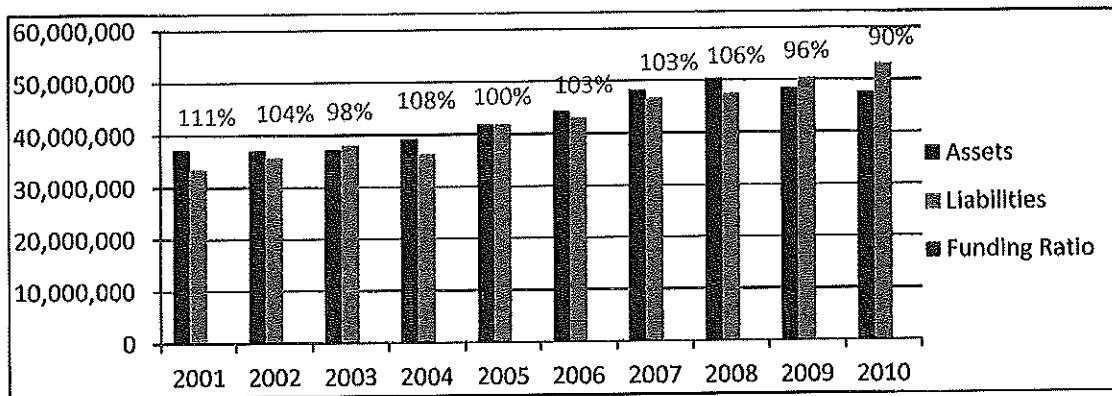
Who pays for this pension plan?

Judges and the State of Maine pay a percent of payroll each month to MainePERS. These contributions are placed into a trust fund and invested by MainePERS to pay future promised benefits. The percentage of employee contributions is set by statute at 7.65%. The State of Maine makes two contributions: 1) normal costs for benefits earned in the current year; and 2) any Unfunded Actuarial Liability (UAL) costs. For FY12, the employer rate is 11.99%.

What is the Funding Status of the Plan?

The funding level of a pension plan is frequently stated in terms of the ratio of assets to liabilities. Well-funded plans target a 90-110% ratio. Defined benefit pension plans are often considered underfunded when this ratio is less than 80%. Plans can become underfunded as a result of adding benefits without funding the full cost; not paying the required annual cost; changes in the actuarial experience factors; and, investment losses. Investment losses in 2008 lowered the funded ratio.

Historical Funding Status 2001–2010



Source: Annual Judicial Program Valuation

How Does this Plan Work with Social Security?

Maine does not participate in Social Security for state employees, teachers, legislators and judges. Many MainePERS members have contributed to Social Security during their work life in other jobs and may be eligible for a Social Security benefit. The Social Security Administration may offset a portion of this Social Security benefit for members of MainePERS because they do not participate in Social Security for part of their lifetime earnings. For more information, review the Windfall Elimination Provision at www.ssa.gov.

How does this plan compare to the private sector?

Maine judges participate in a defined benefit retirement plan. Under this plan, vested employees receive a fixed monthly retirement payment for life and the plan sponsor assumes the investment risk. All private sector employers provide Social Security, and may offer supplemental 401(k)-type defined contribution plans. These plans eliminate employer cost volatility because contributions are fixed, and employees assume the investment risk. As of 2008, only 20% of private sector employees continued to be in defined benefit plans.

Retirement Plan Employer Costs – FY2012	State of Maine	Private Sector Employer	
	Defined Benefit	SS Only	SS and 401(k)
Social Security	0%	6.2%	6.2%
401(k) type Retirement Plan	0%	0%	9.2%*
Judicial Plan	11.99%	N/A	N/A
Who Bears Investment Risk?	Employer	N/A	Employee

* Sample 3% employer match