

Chapter 303: ACTUARIAL FACTORS TABLES

SUMMARY: This Chapter specifies the actuarial factors tables that have been adopted by the Board of Trustees for use in various determinations and calculations required in the administration of the programs administered by the Maine Public Employees Retirement System.

SECTION 1. SCOPE

This Chapter specifies the actuarial factors tables to be used in administering the programs of the Maine Public Employees Retirement System.

SECTION 2. APPLICABILITY

1. Since the inception of the Maine Public Employees Retirement System, upon the advice and recommendation of the System's actuaries and on an as-needed basis, the Board of Trustees has adopted actuarial factors tables as required for the administration of the various plans for which it is responsible at regularly scheduled, public, duly noticed Board meetings. Except for those events to which Chapter 510 applies, in relation to events with effective dates through September 30, 2001, the System shall use the following actuarial factors tables in making various actuarial calculations and determinations and in deriving other actuarial factors tables required for plan administration:
 1. State Employee Unisex Table;
 2. Teacher Unisex Table;
 3. PLD Employee Unisex Table with COLA;
 4. PLD Employee Unisex Table without COLA;
 5. Option 1 Factors - Unisex Table;
 6. Options 2 and 3 Factors Table;
 7. Former "Option 4" (Current "Option 5") Factors Tables for Representative Percentage Splits for Benefits: 80/20 and 90/10;
 8. Option 4, 6, 7 & 8 Factors Table for use through 9/30/01 for all employees except judges;
 9. Option 4, 6, 7 & 8 Factors Table for use through 9/30/01 for judges;
 10. Table A - Single Life Annuity;
 11. Table B - Joint Life Annuity;
 12. QDRO Annuities Unisex with COLA and without COLA;
 13. Normal Contribution Table - with COLA;
 14. Normal Contribution Table - without COLA;
 15. Table of Immediate Annuity Values - (PLD Employee Plan with COLA);

16. Table of Immediate Annuity Values – (PLD Employee Plan without COLA);
17. Table of Immediate Annuity Values – (Teacher);
18. Table of Immediate Annuity Values – (State employee);
19. Table of Annuity Values Per \$1 Yearly Benefit, Payable Monthly – (Plan with COLA);
20. Table of Annuity Values Per \$1 Yearly Benefit, Payable Monthly – (Plan without COLA);
21. Table to Calculate Cost of Earnable Compensation in Excess of Cap;
22. Unisex Generalized Non-Disabled Factor Table – (Plan with COLA);
23. Unisex Generalized Non-Disabled Factor Table – (Plan without COLA); and
24. Age Reduction Tables.

The above references to “state employee” include members of the Legislative and Judicial Retirement Programs. These factors tables are incorporated by reference into this Chapter and are attached for reference.

2. Except for those events to which Chapter 510 applies, in making various actuarial determinations and calculations in relation to events with effective dates of October 1, 2001 through June 30, 2007, the System shall use the following updated actuarial factors tables, recommended by the System’s actuaries, as the basis for both actuarial calculations and determinations and the deriving of other actuarial factors tables required for plan administration:
 1. Basic Annuity Factors Table – Table AA;
 2. Joint Life Factors Table – Table BB;
 3. Normal Contribution Table for Special Plans with COLA – Table C.1;
 4. Normal Contribution Table for Special Plans without COLA – Table C.2;
 5. Option 1 Factors – Table 1.0; and
 6. Age Reduction Tables.

These factors tables are incorporated by reference into this Chapter and are attached for reference.

3. Except for those events to which Chapter 510 applies, in making various actuarial determinations and calculations in relation to events with effective dates of July 1, 2007 or later, the System shall use the tables as referenced in Section 2 as amended effective July 1, 2006.
4. Any actuarial factors tables required by the System for actuarial calculations and determinations that cannot be derived from the factors tables that are a part of this Chapter will be derived using methodologies recommended by the System’s actuaries. Upon such recommendation of the System’s actuaries,

and in circumstances that are both unusual and infrequent, the System may use such actuarial factors tables without amending this Chapter. Any such use must be approved in advance by the Board of Trustees when possible or affirmed after the fact by the Board of Trustees and must be clearly documented in the official minutes of the public meeting of the Board at which the use was approved or affirmed.

SECTION 3. BENEFIT DETERMINATION

Effective as of July 1, 1989, all benefits payable by the System will be determined based upon the actuarial tables provided in Section 2, as adopted by the Board of Trustees. Such benefits are not subject to employer discretion.

STATUTORY AUTHORITY: 5 MRSA §17103(4)

EFFECTIVE DATE:

November 6, 2000 *(under the APA. The Basis Statement asserts an effective date for the updated tables as October 1, 2001 -- see below)*

NON-SUBSTANTIVE CORRECTIONS:

November 24, 2000 - statutory citations only

EFFECTIVE DATE:

June 21, 2006 *(under the APA. The Basis Statement asserts an effective date for the updated tables as July 1, 2007 -- see below) – filing 2006-270*

AMENDED:

February 23, 2009

AMENDED:

February 9, 2010

BASIS STATEMENT FOR ADOPTION OCTOBER 12, 2000:

Since its inception, the Board of Trustees has adopted actuarial factors tables for specific purposes as necessary to carry out the responsibilities of the Maine State Retirement System. These tables, with the exception of those contained in Chapter 510, were adopted pursuant to various statutory provisions at regularly scheduled, public, duly noticed Board meetings. Again with the exception of Chapter 510 tables, they were not, prior to this rulemaking proceeding, promulgated in rule. The purpose of this Chapter is to establish a basis in rule for this long-standing practice. While it is not definitive that the System is required to promulgate in rule these factors tables, because these factors tables are so fundamental to the operation of the Retirement System, a rule is being adopted to forestall any dispute over whether a rule is required.

This chapter was noticed for rulemaking on August 23, 2000. A public hearing was held on September 14, 2000; no witnesses testified at the hearing and no written comments were received on this proposed rule. The public comment period closed on September 25, 2000.

MSRS must perform calculations using actuarial methodologies recommended by its actuaries for numerous purposes in the administration of the various plans of the Maine State Retirement System, Maine Legislative Retirement System and Maine Judicial Retirement System. Those purposes include, but are not limited to: 1) calculating benefits payable when a Retirement System Plan member elects to receive service retirement benefits under one of the optional payment methods allowed by 3 M.R.S.A. §857, 4 M.R.S.A. §1357, 5 M.R.S.A. §§17804 and 18404; (including subsequent recalculation of benefits payable due to divorce or death of spouse and remarriage or changing of a retirement beneficiary (4 M.R.S.A. §1360-1361, 5 M.R.S.A. §§17805, 17805-A, 18405, 18405-A §17804, sub5-F, and 18404, sub 5-F); 2) determining the actuarial equivalent of the member's accumulated contributions; 3) determining life annuity values for purposes of payments to an alternate payee pursuant to a qualified domestic relations order; 4) calculating the amount that must be paid in order to purchase service credit; 5) calculating surviving spousal benefits payable pursuant to 2 MRSA §1-A (governor); 6) calculating early retirement incentive costs (5 MRSA §17159); 7) calculating corrections to incorrect benefit payments (5 MRSA §§17809 and 18410); 8) determining unused accrued or accumulated sick or vacation leave pursuant to 5 MRSA §§ 17756 and 18356; 9) calculating service retirement allowances pursuant to certain special plan provisions; 10) determining costs of additional actuarial liability to be paid by an employer in order to override limits on earnable compensation for purposes of calculating average final compensation (5 MRSA §§17001(13)(C) and 17154(11)); 11) calculating the amount of increase in service retirement benefits due to additional contributions paid to the System pursuant to 5 MRSA §17204; and 12) determining the amount of the lump sum which is the actuarial equivalent of a monthly payment of \$10 or less pursuant to 5 MRSA §§17804(6) and 18404(6).

For the past year, the System and its actuaries have been reviewing all of the actuarial factors tables used by the System. The goals of the review were to assure that the System's tables reflected the most up-to-date thinking of its actuaries, to assure that the factors tables were consistent with each other, to align the factors tables with the mortality assumptions being used for the System's actuarial valuations, and to achieve greater simplicity of the factors tables for purposes of automation and quality assurance. The factors tables incorporated by reference in Section 2.2 of this Chapter achieve those goals.

Because of the complexities involved in providing advance notice of updated factors tables to potential retirees who will have already received estimates of service

retirement benefits and actuarial costs based on the unrevised tables, these updated tables will become effective on October 1, 2001. Beginning in October 2000, the System will provide estimates of service retirement benefits and actuarial costs based upon the updated tables to members who indicate they may have MSRS service retirement effective dates of October 1, 2001 or later or intend to make purchases of service credit on or after that same date.

It is to be noted that there are significantly fewer factors tables that will go in effect in 2001 than have been in use at the System prior to that date. The lesser number of tables reflect in large part the fact that many factors previously displayed as separate tables are derivable from factors Tables AA and BB and for that reason have not been adopted as separate tables. Any factors that can be derived from these base factors tables are included within the ambit of this rule. We also note that, at appropriate intervals, the System will review the actuarial factors tables then in use, revising individual tables and/or the set of tables as necessary.

Section 2.3 of this rule reflects the Maine State Retirement System's potential need to perform certain actuarial calculations in unusual circumstances, the appropriate factors for which may not have been contemplated in the actuarial factors tables incorporated by reference into this Chapter. This provision is intended to give the System the flexibility to proceed with such calculations, with the recommendation of its actuaries, as long as the circumstance in which the flexibility is needed is both an unusual one and one not frequently encountered. It is not practical to amend the factors tables rule every time an unusual circumstance might present itself. This rule does call for the Board of Trustees to approve or affirm any such action taken by the staff at a regular Board meeting, and to reflect the action in the formal Board minutes.

BASIS STATEMENT FOR AMENDMENTS ADOPTED JUNE 8, 2006/ STATEMENT OF COMMENTS:

This chapter was noticed for rulemaking on April 19, 2006. A public hearing was held on May 11, 2006. No members of the public presented testimony at the hearing and no written comments were submitted prior to or at the hearing or during the subsequent 10-day period for written comments. The public comment period closed on May 22, 2006.

The amendments to this rule result from the recent completion of an experience study of the State/Teacher plan. Upon the Actuary's presentation of the results of that study, the Board voted at its February 9, 2006 meeting to adopt the recommendation of the Actuary to change the underlying plan assumptions for the State/Teacher plan. At its March 9, 2006, the Board voted to adopt those assumptions for the PLD Consolidated Plan; on April 11, 2006, the Board voted to adopt those assumptions for the Legislative plan; and, on May 11, 2006, the Board voted to adopt those assumptions for the Judicial

plan. A change in those assumptions necessitates a change to the actuarial tables used in the various calculations performed by the System. The amendments to this rule update those actuarial tables and factors.

Because of the complexities involved in providing advance notice of updated factors tables to potential retirees who will have already received estimates of service retirement benefits and actuarial costs based on the unrevised tables, these updated tables will become effective on **July 1, 2007**. Beginning July 1, 2006, the System will provide estimates of service retirement benefits and actuarial costs based upon the updated tables to members who indicate they may have MSRS service retirement effective dates of July 1, 2007 or later or intend to make purchases of service credit on or after July 1, 2007.

BASIS STATEMENT FOR AMENDMENTS ADOPTED DECEMBER 11, 2008/STATEMENT OF COMMENTS:

This chapter was noticed for rulemaking on October 22, 2008. A public hearing was held on November 13, 2008. No members of the public presented testimony at the hearing and no written comments were submitted prior to or at the hearing or during the subsequent 10-day period for written comments. The public comment period closed on November 24, 2008.

The primary amendment to this rule eliminates the use of a specific Option 1 factor table. By operation of the previous rule, the eliminated table was used only in the calculation of Option 1 benefits for retirees with an effective retirement date through September 30, 2001 for contributions accrued prior to August 1, 1983, after which retirement date, new updated tables went into effect. The eliminated table was gender-based; the use of a gender-based table is arguably impermissible under federal law. Accordingly, the gender-based table has been eliminated and all Option 1 benefits will be calculated using the unisex table.

The rule was also amended to reflect the renaming of the System from Maine State Retirement System (MSRS) to Maine Public Employees Retirement System (MainePERS) as well as to incorporate the new structure adopted by the System in the referencing of the plans and programs that it administers.

**BASIS STATEMENT FOR AMENDMENTS ADOPTED JANUARY 14, 2010/
STATEMENT OF COMMENTS:**

The proposed amendment to this rule was noticed for public hearing on November 18, 2009. A public hearing was held on December 10, 2009. No members of the public presented testimony at the hearing and no written comments were submitted prior to or

at the hearing or during the subsequent 10-day period for written comments. The public comment period closed on December 21, 2009.

In 2007, the Internal Revenue Service (“IRS”) implemented a staggered remedial amendment program allowing governmental plans to submit for updated determination letters and retroactively amend plan documents (i.e., statutes and rules) to bring them into compliance with federal law. MainePERS retained outside pension tax counsel in June of 2008 to complete a detailed review of the System’s compliance with the provisions of the Internal Revenue Code (“IRC”) and to assist the System with an application to the IRS for an updated qualified plan status determination letter. A number of areas where the defined benefit plans administered by MainePERS were not in compliance with the IRC were identified during the review, and applications were submitted to enter the defined benefit plans in the IRS Voluntary Compliance Program (“VCP”) in January 2009. To enter the VCP, the System was required to both identify the areas of non-compliance and propose amendments to correct those deficiencies.

IRC Section 410(a)(25) sets forth the requirement that actuarial assumptions used to determine benefits must be specified within the plan documents in a way that precludes employer discretion. IRC 401(a)(25) is applicable to all governmental defined benefit retirement plans qualified under IRC Sections 401(a) and 414(d) and applies to all of the defined benefit plans administered by MainePERS. A violation of the rules could lead to the disqualification of the defined benefit plans administered by MainePERS, resulting in the loss of favorable tax status.

MainePERS was and continues to be operationally compliant with IRC Section 401(a)(25). Federal law also requires there be written provisions in the plan that set forth the actuarial assumptions. In the case of a governmental plan, the written plan documents are the statutes and rules governing the plan. With the exception of a specific reference to the language contained in IRC Section 401(a)(25), MainePERS plan documents have been in compliance with IRC Section 401(a)(25).

On August 20, 2009, MainePERS received favorable determination letters from the IRS confirming the continued qualification and favorable tax treatment of the defined benefit plans administered by the System, subject to correction of the compliance issues self-identified by MainePERS in its January 2009 VCP filings with the IRS. The Compliance Statements that accompanied the determination letters approve the methods of correction proposed in the VCP filings and require MainePERS to verify the adoption of the changes no later than December 31, 2010. The adoption of this rule brings MainePERS plan documents fully into compliance with IRC Section 401(a)(25).

At its regular meeting held on January 14, 2010, Dick Metivier made the motion, seconded by Catherine Sullivan, to adopt the rule on actuarial factors tables. Voted unanimously by those Board members present.

