

# MAINE STATE LEGISLATURE

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# 114th MAINE LEGISLATURE

## SECOND REGULAR SESSION - 1990

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Legislative Document

No. 1914

H.P. 1383

House of Representatives, December 12, 1989

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.

Received by the Clerk of the House on December 12, 1989. Referred to the Committee on Aging, Retirement and Veterans and 1600 ordered printed pursuant to Joint Rule 14.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative DELLERT of Gardiner.

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STATE OF MAINE

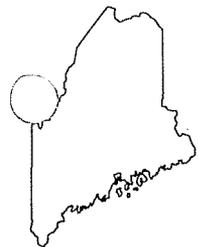
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IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND NINETY

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**An Act to Further Facilitate the Conversion of the Records of the  
Maine State Retirement System to an Automated System.**

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Be it enacted by the People of the State of Maine as follows:

2  
4  
Sec. 1. 5 MRSA §17001, sub-§3-A is enacted to read:

6       3-A. Annual base compensation. "Annual base compensation"  
8       means a member's earnable compensation as adjusted by board rule  
10       to provide an equitable and stable basis for setting the amount  
12       of coverage for participants in the group life insurance program  
14       administered by the board.

16  
18       Sec. 2. 5 MRSA §17703, sub-§§2 and 3, as enacted by PL 1985, c.  
20       801, §§5 and 7, are amended to read:

22       2. Manner of repayment. The repayment may must be made to  
24       the ~~retirement system~~ by a single direct payment ~~or by an~~  
26       increased ~~rate of contribution through payroll deduction to the~~  
28       retirement system.

30       3. Amount of repayment. The amount of repayment must be  
32       equal to the accumulated contributions withdrawn by the person  
34       plus interest on the amount of those accumulated contributions,  
36       beginning on the date of withdrawal to the date the repayment ~~or~~  
38       payments ~~are~~ is made, at a rate, to be set by the board, not to  
40       exceed regular interest by 5 or more percentage points.

42       Sec. 3. 5 MRSA §17704, sub-§2, as enacted by PL 1985, c. 801,  
44       §§5 and 7, is amended to read:

46       2. Manner of payment. The payment may must be made to the  
48       retirement ~~system~~ by a single direct payment ~~or by an~~ increased  
50       rate ~~of contribution through payroll deduction to the retirement~~  
52       system.

54       Sec. 4. 5 MRSA §17713, sub-§2, ¶¶A and B, as enacted by PL  
56       1985, c. 801, §§5 and 7, are amended to read:

58       A. If the member qualifies under section 17760, subsection  
60       2, paragraph D, contributions shall be calculated at the  
62       percentage rate required of active members during the period  
64       of time covered by the service in the armed forces applied  
66       to the member's earnable compensation during the first year  
68       as an employee after service in the armed forces, under the  
70       following terms and conditions:

72               (1) If 2 or more percentage rates were in effect  
74               during the period of service in the armed forces, the  
76               highest percentage rate shall be used;

78               (2) The minimum rate shall be 5%; and

80               (3) Interest at a rate set by the board not to exceed  
82               regular interest by 2 or more percentage points shall

2 be paid on the unpaid balance beginning January 1,  
3 1976, or the date of attaining 15 years of creditable  
4 service, if later, to the date payment is completed  
5 made.

6 B. If the member qualifies under section 17760, subsection  
7 2, paragraph E, contributions shall be calculated at the  
8 rate prescribed by section 17701, applied to the member's  
9 earnings during the 12 months preceding the month in which  
10 he the member pays or ~~begins payment of~~ the required  
11 contributions contribution. ~~Interest at a rate set by the~~  
12 ~~board not to exceed regular interest by 5 or more percentage~~  
13 ~~points shall be paid on the unpaid balance beginning the~~  
14 ~~first day of the month in which the member begins payment to~~  
15 ~~the date payment is completed.~~

16 **Sec. 5. 5 MRSA §17713, sub-§2, ¶C** is enacted to read:

17 C. The payment must be made by a single direct payment to  
18 the retirement system.

19 **Sec. 6. 5 MRSA §17754, sub-§1, ¶B**, as enacted by PL 1985, c.  
20 801, §§5 and 7, is amended to read:

21 B. The member, before any retirement benefit becomes  
22 effective for him that member, must make contributions into  
23 the Members' Contribution Fund for the years of out-of-state  
24 service on the same basis as he the member would have made  
25 contributions had the service been in Maine, including  
26 interest at a rate to be set by the board not to exceed  
27 regular interest by 5 or more percentage points. Interest  
28 shall be computed beginning the end of the year when those  
29 contributions would have been made, if the service had been  
30 in the State, to the date of payment. The payment must be  
31 made by a single direct payment to the retirement system.

32 **Sec. 7. 5 MRSA §17754, sub-§1, ¶F**, as enacted by PL 1985, c.  
33 801, §§5 and 7, is amended to read:

34 F. A public school teacher who leaves service in Maine to  
35 teach children of United States Armed Forces personnel,  
36 located in any foreign country on a regularly established  
37 United States military base, shall be allowed service credit  
38 for that service, not to exceed 2 years, if:

39 (1) The teacher returned to active teaching service in  
40 the State within one year of the completion of the  
41 foreign service; and

42 (2) The teacher pays into the retirement system the  
43 same amount of contributions which would have been made  
44 if the service had been rendered in the State,

2 including interest computed in accordance with  
3 paragraph B. The payment must be made by a single  
4 direct payment to the retirement system.

5 **Sec. 8. 5 MRSA §17754, sub-§2,** as enacted by PL 1985, c. 801,  
6 §§5 and 7, is amended to read:

7 **2. Alternative.** If service credit for out-of-state service  
8 is not allowed under subsection 1, additional service credit for  
9 out-of-state service shall be allowed for any member in the  
10 determination of his the retirement benefit under this Part, if  
11 the member, before any retirement benefit becomes effective for  
12 himself that member, pays into the Members' Contribution Fund, by  
13 a single direct payment ~~or by an increased rate of contribution~~  
14 ~~through payroll deduction~~ to the retirement system, an amount  
15 plus that, together with regular interest on that amount, which  
16 will be is the actuarial equivalent, at the effective date of his  
17 the retirement benefit, of the portion of his the retirement  
18 benefit based on the additional creditable service.

19 **A.** Additional amounts paid under this subsection shall  
20 become a part of the members' accumulated contributions.

21 **B.** If any retirement benefit becomes effective before the  
22 completion of the payment under this subsection, the member  
23 is entitled to service credit for that portion of the  
24 additional creditable service which that the total amount of  
25 payments actually made, plus regular interest on those  
26 payments to the date the retirement benefit becomes  
27 effective, bears to the actuarial equivalent of the total  
28 portion of the retirement benefit based on the additional  
29 creditable service.

30 **Sec. 9. 5 MRSA §17763, sub-§1, ¶C,** as enacted by PL 1985, c.  
31 801, §§5 and 7, is amended to read:

32 **C.** The teacher must, before any retirement benefit becomes  
33 effective for him that teacher, pay into the Members'  
34 Contribution Fund, by a single direct payment ~~or by an~~  
35 ~~increased rate of contribution through payroll deduction~~ to  
36 the retirement system, an amount which that, together with  
37 regular interest on that amount, is the actuarial  
38 equivalent, at the effective date of his the retirement  
39 benefit, of the portion of his the retirement benefit based  
40 on the additional creditable service.

41 **Sec. 10. 5 MRSA §17763, sub-§2, ¶C,** as enacted by PL 1985, c.  
42 801, §§5 and 7, is amended to read:

43 **C.** The teacher must, before any retirement benefit becomes  
44 effective for him that teacher, pay into the Members'  
45 Contribution Fund, by a single direct payment ~~or by an~~  
46

2 ~~increased rate of contribution through payroll deduction to~~  
3 the retirement system, an amount which that, together with  
4 regular interest on that amount, is the actuarial  
5 equivalent, at the effective date of his the retirement  
6 benefit, of the portion of his the retirement benefit based  
7 on the additional creditable service.

8 **Sec. 11. 5 MRSA §18056, sub-§1, ¶A**, as enacted by PL 1985, c.  
9 801, §§5 and 7, is amended to read:

10 A. The amount of life insurance to be paid upon death shall  
11 be equal to the participant's annual earnable base  
12 compensation rounded up to the next \$1000.

13 (1) A participant insured under a basic insurance  
14 policy shall be automatically covered for any change in  
15 the maximum due to a change in annual earnable base  
16 compensation.

17 (2) The date of change in coverage under subparagraph  
18 (1) shall coincide with the effective date of the  
19 change in annual earnable base compensation.

20 **Sec. 12. 5 MRSA §18061, sub-§2, ¶C**, as enacted by PL 1985, c.  
21 801, §§5 and 7, is amended to read:

22 C. On retirement for disability, the amount of basic  
23 insurance in force at the time of retirement shall be  
24 continued in force until normal retirement age, after which  
25 the amount shall be reduced, as provided in paragraphs A and  
26 B, at no cost to the recipient. The 10-year participation  
27 requirement does not apply to recipients of disability  
28 retirement benefits.

29 **Sec. 13. 5 MRSA §18304, sub-§§2 and 3**, as enacted by PL 1985,  
30 c. 801, §§5 and 7, are amended to read:

31 2. **Manner of repayment.** The repayment may ~~must~~ be made to  
32 ~~the--retirement--system~~ by a single direct payment ~~or--by--an~~  
33 ~~increased--rate--of--contribution--through--payroll--deduction to the~~  
34 retirement system.

35 3. **Amount of repayment.** The amount of repayment must be  
36 equal to the accumulated contributions withdrawn by the person  
37 plus interest on the amount of those accumulated contributions,  
38 beginning on the date of withdrawal to the date the repayment ~~or~~  
39 ~~repayments--are~~ is made, at a rate, to be set by the board, not to  
40 exceed regular interest by 5 or more percentage points.

41 **Sec. 14. 5 MRSA §18305, sub-§2**, as enacted by PL 1985, c. 801,  
42 §§5 and 7, is amended to read:

2. **Manner of payment.** The payment may must be made to the retirement-system by a single direct payment ~~or by an increased rate of contribution through payroll deduction to the retirement system.~~

Sec. 15. 5 MRSA §18311, sub-§2, ¶¶A and B, as enacted by PL 1985, c. 801, §§5 and 7, are amended to read:

A. If the member qualifies under section 18360, subsection 2, paragraph D, contributions shall be calculated at the percentage rate required of active members during the period of time covered by the service in the armed forces applied to the member's earnable compensation during the first year as an employee subsequent to service in the armed forces under the following terms and conditions:

(1) If 2 or more percentage rates were in effect during the period of service in the armed forces, the highest percentage rate shall be used;

(2) The minimum rate shall be 5%; and

(3) Interest at a rate set by the board not to exceed regular interest by 2 or more percentage points shall be paid on the unpaid balance beginning January 1, 1976, or the date of attaining 15 years of creditable service, if later, to the date payment is completed.

B. If the member qualifies under section 18360, subsection 2, paragraph E, contributions shall be calculated at the rate prescribed by section 18301, applied to the member's earnings during the 12 months preceding the month in which he the member pays ~~or begins payment of~~ the required contributions contribution. ~~Interest at a rate set by the board not to exceed regular interest by 5 or more percentage points shall be paid on the unpaid balance beginning the first day of the month in which the member begins payment to the date payment is completed.~~

Sec. 16. 5 MRSA §18311, sub-§2, ¶C is enacted to read:

C. The payment must be made by a single direct payment to the retirement system.

Sec. 17. 5 MRSA §18354, sub-§1, ¶B, as amended by PL 1989, c. 95, §12, is further amended to read:

B. The member, before any retirement benefit becomes effective, must make contributions into the Members' Contribution Fund for the years of out-of-state service on the same basis as the member would have made contributions

2 had the service been in the State, including interest at a  
4 rate, to be set by the board, not to exceed regular interest  
6 by 5 or more percentage points. Interest shall be computed  
8 from the end of the year when those contributions would have  
10 been made, if the service had been in the State, to the date  
12 of payment. The payment must be made by a single direct  
14 payment to the retirement system;

16 **Sec. 18. 5 MRSA §18354, sub-§2,** as enacted by PL 1985, c. 801,  
18 §§5 and 7, is amended to read:

20 **2. Alternative.** If service credit for out-of-state service  
22 is not allowed under subsection 1, additional service credit for  
24 out-of-state service shall be allowed for any member in the  
26 determination of his retirement benefit under this Part if the  
28 member, before any retirement benefit becomes effective for  
30 himself that member, pays into the Members' Contribution Fund, by  
32 a single direct payment or-by-an-increased-rate-of-contribution  
34 through-payroll-deduction to the retirement system, an amount  
36 plus that, together with regular interest on that amount, which  
will-be is the actuarial equivalent, at the effective date of his  
the retirement benefit, of the portion of his the retirement  
benefit based on the additional creditable service.

A. Additional amounts paid under this subsection shall  
become a part of the member's accumulated contributions.

B. If any retirement benefit becomes effective before the  
completion of the payment under this subsection, the member  
is entitled to service credit for that portion of the  
additional creditable service which that the total amount of  
payments actually made, plus regular interest on those  
payments to the date the retirement benefit becomes  
effective, bears to the actuarial equivalent of the total  
portion of the retirement benefit based on the additional  
creditable service.

38 **Sec. 19. 5 MRSA §18362, sub-§1, ¶C,** as enacted by PL 1989, c.  
40 78, §4, is amended to read:

42 C. The member must, before any retirement benefit becomes  
44 effective for the member, pay into the Members' Contribution  
46 Fund, by a single direct payment or-by-an-increased-rate-of  
48 contribution--through-payroll-deduction to the retirement  
50 system, an amount which that, together with regular interest  
on that amount, is the actuarial equivalent, at the  
effective date for the member's retirement benefit, of the  
portion of the member's retirement benefit based on the  
additional creditable service.

52 **Sec. 20. 5 MRSA §18362, sub-§2, ¶C,** as enacted by PL 1989, c.  
78, §4, is amended to read:

2 C. The member must, before any retirement benefit becomes  
4 effective for the member, pay into the Members' Contribution  
6 Fund, by a single direct payment ~~or by an increased rate of~~  
8 ~~contribution--through--payroll--deduction to the retirement~~  
10 system, an amount which that, together with regular interest  
on that amount, is the actuarial equivalent, at the  
effective date of the member's retirement benefit, of the  
portion of the member's retirement benefit based on the  
additional creditable service.

12 Sec. 21. 5 MRSA §18656, sub-§1, ¶A, as enacted by PL 1985, c.  
14 801, §§5 and 7, is amended to read:

16 A. The amount of life insurance to be paid upon death is to  
18 be equal to the participant's annual earnable base  
compensation rounded up to the next \$1,000.

20 (1) A participant insured under a basic insurance  
22 policy shall be automatically covered for any change in  
the maximum due to a change in annual earnable base  
compensation.

24 (2) The date of change in coverage under subparagraph  
26 (1) shall coincide with the effective date of the  
change in annual earnable base compensation.

28 Sec. 22. 5 MRSA §18661, sub-§2, as enacted by PL 1985, c. 801,  
30 §§5 and 7, is amended to read:

32 2. **Retirement.** If, on the date the insurance would  
34 otherwise terminate, the employee retires, in accordance with  
36 this Part, the United States Social Security Act or other local  
retirement program, the employee's basic life insurance only  
shall be continued without cost to ~~him~~ the employee and in the  
amounts provided in this subsection.

38 A. On retirement for reasons other than disability, the  
40 average amount of basic insurance in force for the last 3  
42 years prior to retirement shall be continued in force at no  
44 cost to the participant, if ~~he~~ the participant has  
participated in the group life insurance program for a  
minimum of 10 years continuously and immediately before  
retirement.

46 (1) Except as provided in paragraph B, the average  
48 amount shall be reduced at the rate of 15% a year to a  
minimum of 40% of the average amount or \$2,500,  
whichever is greater.

50 (2) In determining benefits under this subchapter, the  
52 reductions shall become effective at 12:01 a.m. of the

2 day following the first year anniversary of the date of  
retirement and each succeeding retirement anniversary  
thereafter until the minimum has been reached.

4  
6 B. On retirement for disability, the amount of basic  
insurance in force at the time of retirement shall be  
continued in force until normal retirement age, after which  
8 the amount shall be reduced, as provided in paragraph A at  
no cost to the recipient. The 10-year participation  
10 requirement does not apply to recipients of disability  
retirement benefits.

### 14 STATEMENT OF FACT

16 The purpose of this bill is to further facilitate the  
conversion of the records of the Maine State Retirement System to  
18 an automated system. The law presently permits members to make  
payments of back contributions, repayment of withdrawn  
20 contributions and payment of contributions, for military service,  
out-of-state service and private and parochial school teaching  
22 service, on an installment basis, either by direct payment or by  
payroll deduction. Continuing that process will add to the  
24 complexity of the automated system with additional costs that may  
not be warranted for the relatively small number of payments  
26 involved. This bill requires these payments to be made in a  
single payment. This bill also amends the group life insurance  
28 program to provide a basis for setting the amount of a  
participant's insurance coverage in such a manner that the level  
30 of coverage and amount of premiums collected may be reconciled  
and audited by the automated system.