

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

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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".

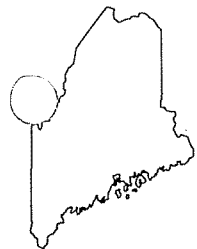
EDWIN H. PERT, Clerk

Presented by Representative DELLERT of Gardiner.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

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



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
 to provide an equitable and stable basis for setting the amount
 of coverage for participants in the group life insurance program
 administered by the board.

10 **Sec. 2. 5 MRSA §17703, sub-§§2 and 3,** as enacted by PL 1985, c.
12 801, §§5 and 7, are amended to read:

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

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20 equal to the accumulated contributions withdrawn by the person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

26 **Sec. 3. 5 MRSA §17704, sub-§2,** as enacted by PL 1985, c. 801,
28 §§5 and 7, is amended to read:

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

34 **Sec. 4. 5 MRSA §17713, sub-§2, ¶¶A and B,** as enacted by PL
36 1985, c. 801, §§5 and 7, are amended to read:

38 A. If the member qualifies under section 17760, subsection
40 2, paragraph D, contributions shall be calculated at the
 percentage rate required of active members during the period
42 of time covered by the service in the armed forces applied
 to the member's earnable compensation during the first year
 as an employee after service in the armed forces, under the
44 following terms and conditions:

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

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

52 (3) Interest at a rate set by the board not to exceed
 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.

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

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

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

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

34 **Sec. 9. 5 MRSA §17763, sub-§1, ¶C**, as enacted by PL 1985, c.
35 801, §§5 and 7, is amended to read:

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

46
47 **Sec. 10. 5 MRSA §17763, sub-§2, ¶C**, as enacted by PL 1985, c.
48 801, §§5 and 7, is amended to read:

49
50 C. The teacher must, before any retirement benefit becomes
51 effective for him that teacher, pay into the Members'
52 Contribution Fund, by a single direct payment ~~or by an~~

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
38 will-be is the actuarial equivalent, at the effective date of his
40 the retirement benefit, of the portion of his the retirement
42 benefit based on the additional creditable service.

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

48 **B.** If any retirement benefit becomes effective before the
50 completion of the payment under this subsection, the member
52 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.

54 **Sec. 19. 5 MRSA §18362, sub-§1, ¶C, as enacted by PL 1989, c.
56 78, §4, is amended to read:**

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

74 **Sec. 20. 5 MRSA §18362, sub-§2, ¶C, as enacted by PL 1989, c.
76 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.