

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 718

H.P. 524

House of Representatives, February 14, 2003

**An Act To Create a New Pension System for Newly Hired Teachers  
and State Employees**

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Reference to the Committee on Labor suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative MILLS of Cornville.

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

4 **CONCEPT DRAFT**  
6 **SUMMARY**

8 This bill is a concept draft pursuant to Joint Rule 208.

10 This bill would create a new retirement program for teachers  
12 and state employees hired on or after January 1, 2004. Instead  
14 of being covered by the existing state employee and teacher plan  
of the Maine State Retirement System, new hires would be required  
to participate in Social Security and would also be covered by a  
newly created defined benefit plan.

16 The new plan would be modeled on current law but designed to  
18 have an initial actuarial cost of approximately 4% of payroll.  
The normal retirement age would be 62, and the penalty for early  
20 retirement would be 4% per year. The cost of the plan would be  
allocated so that the State would pay 75% of the cost and the  
22 employee would pay 25% of the cost. Employees would also have an  
option to purchase an increased benefit by paying 1/3 of the cost  
24 with the State paying the other 2/3, up to an additional 6% of  
payroll.