

MAINE STATE LEGISLATURE

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STATE OF MAINE

SENATE

124TH LEGISLATURE

FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 515, L.D. 1431, "Resolve, To Reform Public Retirement Benefits and Eliminate Social Security Offsets"

Amend the resolve by striking out everything after the title and before the summary and inserting the following:

'Sec. 1. Design of unified pension and benefit plan for all state employees and teachers who are first employed with the State after December 31, 2010.

Resolved: That the task force established in subsection 2 shall design a unified pension and benefit plan, referred to in this resolve as "the plan," to apply to all state employees and teachers who are first hired after December 31, 2010 with no prior creditable service. The task force must be staffed within existing resources of the Maine Public Employees Retirement System and the State Employee Health Commission.

1. Definitions. For purposes of this resolve, the following terms have the following meanings.

A. "Member" means teachers and state employees first hired after December 31, 2010 with no prior creditable service.

B. "State employee" means:

(1) Employees as defined in the Maine Revised Statutes, Title 5, section 17001, subsection 40;

(2) Judges entitled to retirement benefits under Title 4, chapter 27 or 29;

(3) Members of the State Police; and

(4) Legislators entitled to retirement benefits under Title 3, chapter 29.

C. "Teacher" has the same meaning as in Title 5, section 17001, subsection 42.

2. Task force established. A task force to reform public retirement benefits and eliminate social security offsets is established. The task force is composed of:

A. The Chair of the Board of Trustees of the Maine Public Employees Retirement System, who serves as the task force chair;

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- 1 B. The Commissioner of Administrative and Financial Services, or a designee of the
- 2 commissioner;
- 3 C. The Executive Director of the State Employee Health Commission;
- 4 D. The State Controller;
- 5 E. An employee member of the Board of Trustees of the Maine Public Employees
- 6 Retirement System, appointed by the board;
- 7 F. An employee member of the State Employee Health Commission, appointed by
- 8 the State Employee Health Commission;
- 9 G. A member appointed by the Maine Education Association; and
- 10 H. A member appointed by the Maine School Management Association.

11 **3. Health plan.** The task force shall design the health plan component of the plan in

12 accordance with this subsection and may propose additional variations on the plan.
13 A. All active members of the plan and their dependents must be entitled to
14 membership in the health plan. Assessments for coverage under the health plan must
15 be imposed and budgeted in accordance with Title 5, section 286-A and Title 20-A,
16 section 13451. The proportion of the assessment paid on behalf of members by their
17 employers must be in accordance with the law existing on the effective date of this
18 resolve or in accordance with applicable collective bargaining agreements.

19 B. Every active member of the plan and the spouse and dependents of each such
20 member may continue coverage under the health plan in retirement if criteria for
21 eligibility are met as prescribed in Title 5, section 285, subsection 1-A and Title
22 20-A, section 13451. The task force may recommend changes in eligibility criteria.

23 C. The health plan premium for any eligible retired member and any covered spouse
24 or dependent of the member must be paid from the Bureau of Human Resources'
25 State Employee Health Dedicated Revenue Account established in Title 5, section
26 286-A. Each retired member must be entitled to 3% of the premium for each year of
27 creditable service up to a maximum of 100% of the total premium. For a covered
28 spouse or dependent, the subsidy is 1.5% of the premium for each year of the
29 member's creditable service up to a maximum of 50% of the premium.

30 D. The present actuarial cost of the future benefit subsidy for retired state employees
31 and teachers must be paid 1/2 by the employee and 1/2 by the employer. Payments as
32 calculated and assessed by the Commissioner of Administrative and Financial
33 Services must be remitted on a regular and periodic basis to the Bureau of Human
34 Resources' State Employee Health Dedicated Revenue Account established in Title 5,
35 section 286-A.

36 **4. Pension plan.** The task force shall design the pension plan component of the plan

37 in accordance with this subsection and may propose additional variations on the plan.
38 A. Every member of the plan must contribute to both Social Security and Medicare,
39 and the employer of each member must contribute the employer's share of Social
40 Security and Medicare.

41 B. Each active member of the plan must be entitled to a supplemental defined benefit
42 pension calculated as a percentage of base compensation for each year of service.

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1 Base compensation equals the income received in the 5th highest calendar year of
2 service. Benefits are vested after 6 years.

3 C. Normal pension benefits commence after 30 years of service or at 62 years of age,
4 whichever occurs first.

5 D. A member who separates from service before normal retirement may:

6 (1) If the member has at least 6 years of service in the plan, leave the member's
7 contributions and interest on account in the plan until the member retires at 62
8 years of age, with those benefits adjusted each year by an amount equal to the
9 Consumer Price Index, up to an annual maximum of 3.5%;

10 (2) Withdraw 1.5 times the amount of the member's own contributions, plus 6%
11 interest, with the option to roll the amount withdrawn into a tax-sheltered
12 account;

13 (3) Purchase one or more irrevocable annuities, or, with a spouse, joint life
14 annuities, to commence at any future time and to end either at death or at the
15 annuitant's normal retirement age for Social Security. The annuity values must
16 equal 1.8 times the member's own contributions plus 6% interest. The Maine
17 Public Employees Retirement System may serve as the annuity underwriter; or

18 (4) Use a combination of the options under subparagraphs (2) and (3).

19 **5. Disability plan.** The task force shall design a disability component of the plan
20 whose structure and benefits are integrated with Social Security but are otherwise
21 modeled on disability benefits currently available to employees hired on or before
22 December 31, 2010.

23 **6. Cost of the plans.** The combined actuarial cost of the retiree health insurance, the
24 supplemental defined pension benefits and the disability provisions of the plan must be
25 divided equally between the member and the member's employer and calculated as a
26 percent of payroll for each member; and be it further

27 **Sec. 2. Report. Resolved:** That the task force shall submit a report on its design
28 of the plan, together with any necessary implementing legislation, to the Joint Standing
29 Committee on Labor by March 1, 2010. After receipt and review of the report, the joint
30 standing committee may report out a bill to the Second Regular Session of the 124th
31 Legislature.'

32 **SUMMARY**

33 This amendment replaces the resolve and establishes a task force to design a unified
34 pension and benefit plan to apply to all state employees and teachers who are first hired
35 after December 31, 2010. Under this unified pension and benefit plan:

36 1. In order to enhance portability of benefits and eliminate the issues associated with
37 the government pension offset and the windfall elimination provision of the federal Social
38 Security Act, every state employee and teacher subject to the plan will be covered under
39 Social Security;

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- 1 2. All new employees will be members of a common health plan with benefits that
- 2 are identical to those paid for in accordance with current law and collective bargaining
- 3 contracts;
- 4 3. In addition to Medicare and Social Security, each member will be entitled to a
- 5 supplemental defined pension and retiree health benefit;
- 6 4. The present actuarial cost of retiree benefits under the plan will be divided equally
- 7 between the employee and the employer;
- 8 5. Continuing health coverage will be offered to retirees and their dependents;
- 9 6. A retired member may receive a subsidy of up to 100% of the cost for the retiree's
- 10 own health insurance and up to 50% of the cost of a spouse or dependent. The level of
- 11 subsidy will be graduated to reflect length of service;
- 12 7. The future cost of retiree health benefits will be paid into an existing dedicated
- 13 revenue account by assessing the current payroll of active members a percentage that is
- 14 divided equally between the member and the member's employer;
- 15 8. Each member's supplemental defined pension will be calculated as a percentage of
- 16 base year compensation multiplied by years of service. The percentage, rounded to the
- 17 nearest tenth, will be calculated based on funding available after deducting the cost of the
- 18 retiree health benefit from the 6% total benefit cost; and
- 19 9. A vested member may retire after 30 years of service or at 62 years of age,
- 20 whichever occurs first. A member who retires early may recover 1.5 times the member's
- 21 own contribution plus 6% interest if benefits are withdrawn as cash, or 1.8 times the
- 22 member's own contribution plus 6% interest if the benefits are withdrawn in the form of
- 23 an annuity.
- 24 The resolve directs the task force to submit a report on the design of the unified
- 25 pension and benefit plan, together with proposed implementing legislation, to the Joint
- 26 Standing Committee on Labor no later than March 1, 2010 and authorizes the committee
- 27 to report out a bill to the Second Regular Session of the 124th Legislature.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



124th MAINE LEGISLATURE

LD 1431

LR 1542(02)

Resolve, To Reform Public Retirement Benefits and Eliminate Social Security Offsets

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Labor

Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - General Fund

Fiscal Detail and Notes

The additional costs to the Department of Administrative and Financial Services to participate in the task force to design a unified pension and benefit plan for new employees can be absorbed within the department's existing budgeted resources.

Additional costs to the Maine Public Employees Retirement System associated with actuarial and legal services can be absorbed within existing budgeted resources.