

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1252

H. P. 1033

House of Representatives, March 11, 1981

On Motion of Representative Kany of Waterville, referred to the Committee on State Government. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Kany of Waterville.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Expand the Forms of Deferred Compensation Under the Deferred Compensation Plan.

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

Sec. 1. 5 MRSA § 881, first sentence, as enacted by PL 1973, c. 491, is amended to read:

The State or any county, city, town or other political subdivision may, by contract, agree with any employee to defer, in whole or in part, any portion of that employee's compensation and subsequently, contract for, purchase or otherwise procure for the purpose of funding a deferred compensation program for the employee a fixed or variable life insurance or annuity contract from an insurance company licensed to contract business in this State, or shares of an investment company registered under the Investment Company Act of 1940 or any appropriate savings, share or certificate account in any financial institution or credit union authorized to do business in this State.

Sec. 2. 5 MRSA § 883, as enacted by PL 1973, c. 491, is amended by adding after the first sentence a new sentence to read:

The commissioner may by contract arrange for all or part of the administration to be done by another public or private organization.

Sec. 3. 5 MRSA § 885, first sentence, as enacted by PL 1973, c. 491, is amended to read:

The advisory council shall select ~~up to 3~~ firms for participation by state employees as the result of investigation and competitive bidding, as outlined in chapter 155, as follows: **Up to 3 firms to provide fixed or variable life insurance or annuity contracts or shares of an investment company registered under the Investment Company Act of 1940; and up to 3 financial institutions or credit unions to provide appropriate savings, share or certificate accounts.**

Sec. 4. 5 MRSA § 887, first sentence, as enacted by PL 1973, c. 491, is amended to read:

Notwithstanding any other provision of law to the contrary, those persons designated to administer the deferred compensation program are authorized to make payment of premiums for the purchase of fixed or variable life insurance or annuity contracts ~~and~~; to purchase investment company shares under the deferred compensation program; **and to purchase or deposit in appropriate savings, share or certificate accounts.**

Sec. 5. 5 MRSA § 889, as enacted by PL 1973, c. 491, is amended to read:

§ 889. Liability limited

The financial liability of the State, county, city, town or other political subdivision under a deferred compensation program shall be limited in each instance to the payment of premiums for the purchase of fixed or variable life insurance or annuity contracts ~~and~~, the purchase of investment company shares, **and the purchase or deposit in appropriate savings, share or certificate accounts** under the deferred compensation program while the enrollee remains an employee of the State, county, city, town or other political subdivision enrolled in the program, and only to the amount of the compensation or portion of compensation held for payment of ~~said~~ the premiums or investment company shares.

STATEMENT OF FACT

The Maine law currently authorizes a deferred compensation plan for employees of the State and other participating political subdivisions. Under a deferred compensation plan, a person "defers" a part of his income by placing it in a "plan" until retirement, at which time it is made available in a lump sum or installments. One advantage of such a plan is that income tax is deferred to the time that the money is withdrawn. Similar plans are also available to nongovernmental employees, under several federal laws.

Under the state law, deferred compensation programs are authorized for the purchase of fixed or variable life insurance or annuity contracts or shares of an investment company. This bill increases the number of eligible programs to include appropriate savings, share or certificate accounts in any financial institution or credit union authorized to do business in this State. The term "appropriate" means an account eligible for treatment as a deferred compensation plan under the tax laws. As in the case of insurance and investment companies, the advisory council is to select up to 3 financial institutions or credit unions that will be eligible.