MAINE STATE LEGISLATURE

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(New Draft of H.P. 724, L.D. 975) FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

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NO. 1769

as

H.P. 1291 House of Representatives, June 8, 1987 Reported by Representative JALBERT from the Committee on Aging, Retirement and Veterans and printed under Joint Rule 2. EDWIN H. PERT, Clerk

Original bill sponsored by Representative HICKEY of Augusta. Cosponsored by Senator CLARK of Cumberland, Representatives PERRY of Mexico and LACROIX of Oakland.

STATE OF MAINE

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

1 2 3	AN ACT to Amend the Laws Relating to the Maine State Retirement System.
4	Be it enacted by the People of the State of Maine

- Sec. 1. 5 MRSA \$17001, sub-\$11, as enacted by PL
 1985, c. 801, \$\\$5 and 7, is amended to read:
- 11. <u>Department</u>. "Department" means any department, commission, institution or agency of State Government including the Maine Vocational-Technical Institute System.
- 12 Sec. 2. 5 MRSA §17001, sub-§20, as enacted by PL 13 1985, c. 801, §§5 and 7, is amended to read:

Member. "Member" means any employee person 1 2 included in the membership of the retirement system, as provided in chapter 423, subchapter II, or chapter 3 4 425, subchapter II. 5. Sec. 3. 5 MRSA §17001, sub-§40, as enacted by PL 6 1985, c. 801, §§5 and 7, is repealed and the follow-(ing enacted in its place: 7 40. State employee. "State employee" means 8 regular classified or unclassified officer or employ-9 ee in a department and any employee of the Maine Voc-10 11 ational-Technical Institute System, but does not in-12 clude: 13 A. A judge, as defined in Title 4, section 1201 14 1301, who is now or later may be entitled to 15 retirement benefits under Title 4, chapter 27 16 29; 17 B. A member of the State Police who is now enti-18 tled to retirement benefits under Title 25, chap-19 ter 195; or 20 C. A Legislator who is now or later may be enti-21 tled to retirement benefits under Title 3, chap-22 ter 29. 23 Sec. 4. 5 MRSA §17102, sub-§1, §¶B and C, as enacted by PL 1985, c. 801, §§5 and 7, are repealed and 24 25 the following enacted in their place: 26 A person who is a member of the retirement 27 system through employment as a teacher and who is 28 duly elected by the Maine Teachers' Association; 29 A person who is a member of the retirement 30 system through employment as a state employee and 31 who is duly elected by the Maine State Employees' 32 Association; 33 Sec. 5. 5 MRSA \$17154, sub-§8 is enacted to 34 read:

Transfers among funds. When considered

essary by the executive director for the efficient

administration of the retirement system, he may

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1 2 3	transfers among the various funds of the system se forth in this subchapter in accordance with accepted accounting and actuarial principles.
4 5	Sec. 5-A. 5 MRSA \$17205, as enacted by PL 1985 c. 801, §§5 and 7, is repealed.
6 7 8	Sec. 6. 5 MRSA §17705, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
9	§17705. Refund of contributions
10 11 12 13	If the service of any member has terminated, except by death or by retirement under this Part, the member shall be paid the amount of his accumulated contributions, under the following conditions.
14 15 16 17 18	l. Ten or more years of service. If the member has 10 or more years of creditable service at the time he terminates service, he must have properly applied for a refund of contributions. Refunds of contributions are governed as follows.
19 20 21 22 23	A. Payment shall be made after termination of service and not less than 22 days nor more than 37 days after receipt of the application and receipt of the last payroll upon which the name of the member appears, whichever occurs later.
24 25 26 27	B. An application for refund is void if the mem- ber filing the application returns to service as a state employee or teacher before issuance of the payment.
28 29 30	C. Only contributions made by a particular member may be refunded to that member under this section.
31 32 33 34	2. Less than 10 years of service. If the member has less than 10 years of creditable service at the time he terminates service, refunds of contributions are governed as follows:
35 36 37	A. Payment shall be made after termination of service and not less than 22 days nor more than 37 days after receipt of the application and re-

1 2	ceipt of the last payroll upon which the name of the member appears, whichever occurs later.
3 4 5 6	B. No interest may be added to the member's account for any period beyond the 5th anniversary of the date of the member's termination of service.
7 8 9 10	C. An application for refund is void if the member filing the application returns to service as a state employee or teacher before issuance of the payment.
11 12 13	D. Only contributions made by a particular member may be refunded to that member under this section.
14 15 16 17 18 19	E. The member must have properly applied for a refund of contributions, provided that rules adopted by the board may provide for an automatic refund of contributions if the member has not properly applied for a refund and the amount of accumulated contributions is less than \$650.
20 21	<pre>Sec. 7. 5 MRSA §17803, sub-§3, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:</pre>
22 23 24 25 26 27	3. Time and manner of election. A qualifying member must elect a method of payment before the beginning of payment of a service retirement benefit. This election must be by written notice to the executive director stating the date on which he desires to retire.
28 29 30	Sec. 8. 5 MRSA §17804, first ¶, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
31 32 33 34 35 36 37 38 39	Payment of a service retirement benefit shall begin on the first day of the month following the month in which the qualifying member becomes eligible to receive payment of his service retirement benefit under section 17851 or 17907. A full month's benefit shall be paid to the beneficiary or estate of the recipient for the month in which he dies. A qualifying member may select payment in one of the following methods.

$\left(\begin{array}{c} 1\\2 \end{array}\right)$	<pre>Sec. 9. 5 MRSA §17804, sub-§1, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:</pre>
3 4 5 6 7	1. Full benefits. All retirement benefits shall be payable for life in equal monthly installments; including-any-fraction-of-a-month-up-to-the-date-of death; with no further payment made after the month in which the retiree dies.
8 9	<pre>Sec. 10. 5 MRSA §17804, sub-§5, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:</pre>
10 11 12 13 14 15	5. Option 4. The qualifying member may elect to have a reduced retirement benefit payable to himself while alive and at the qualifying member's death to have some other benefit payable to the beneficiary he has nominated by written designation duly acknowledged and filed with the executive director, if:
16 17 18 19 20	A. The total value of the benefit during the qualifying member's life plus the benefit after his death is an actuarial equivalent of the benefit which the qualifying member would receive without optional modification; and
21	B. The method used to determine the benefit is approved by the board.
23	Sec. 11. 5 MRSA §17812 is enacted to read:
24	§17812. Limitation on benefits
25	Benefits are limited as follows.
26 27 28	1. One benefit only. A beneficiary may select only one benefit, regardless of how many benefits he qualifies for.
29 30 31 32 33 34	2. Election final. Except as provided in section 17803, subsection 4, and section 17957, if a beneficiary elects a benefit after receiving reasonable notification of available options from the retirement system, his election of benefit is final and may not be changed or revoked at a later date.
35 6	<pre>Sec. 12. 5 MRSA §17851, sub-§1, ¶C, as enacted by PL 1985, c. 801, §§5 and 7, is repealed.</pre>

Sec. 13. 5 MRSA §17851, sub-§2, ¶C, as enacted
by PL 1985, c. 801, §§5 and 7, is repealed.

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- Sec. 14. 5 MRSA \$17851, sub-\$3, as enacted by PL
 1985, c. 801, §\$5 and 7, is repealed and the following enacted in its place:
- 3. Member with creditable service of 25 years or more. A member who has completed 25 or more years of creditable service qualifies for a service retirement benefit if he retires at any time after completing 25 years of service, which may include, for the purpose of meeting eligibility requirements, creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.
 - Sec. 15. 5 MRSA §17907, sub-\$1, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
- Beginning. If the executive director 19 20 ceives the written application for disability retirement benefits within 6 months after the date of ter-21 mination of active service of the member, payment 22 23 benefits shall begin on the first day of the month following the date of termination of active service of the member. If the executive director receives 24 25 26 the written application for disability retirement 27 more than 6 months after the date of termibenefits nation of active service of the member, payment 28 29 benefits shall begin on the first day of the month 30 following the date 6 months prior to the date of receipt by the executive director of the written appli-31 cation, by or on behalf of the member, for disability 32 retirement, provided that payment of benefits shall 33 34 begin on the first day of the month following 35 termination of active service of the member 36 if it is shown that:
- 37 A. It was not reasonably possible to file the application for disability retirement benefits within the 6-month period; and
- B. The application was made as soon as reasonably possible.

1 2 3	Sec. 16. 5 MRSA §17907, sub-§2, ¶A, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
5 6	A. The disability retirement benefit ceases and eligibility for a service retirement benefit begins:
7 8 9	(1) On the last day of the month in which the 10th anniversary of the beneficiary's normal retirement age occurs; or
10 11 12 13 14 15	(2) On the last day of the month in which the service retirement benefit of the beneficiary would equal or exceed the amount of his disability retirement benefit, if that occurs before the 10th anniversary of the beneficiary's normal retirement age;
16 17 18	Sec. 17. 5 MRSA §17907, sub-§2, ¶¶B and C, as enacted by PL 1985, c. 801, §§5 and 7, are amended to read:
19 20 21 22 23	B. After the disability has continued for 5 years, the disability of the beneficiary must render him unable to engage in any substantially gainful activity for which the beneficiary is qualified by training, education or experience.
24 25 26 27 28 29	(1) The executive director may require, once each year, a recipient of a disability retirement benefit to undergo medical examinations or tests, conducted in accordance with section 17903, to determine the disability of the beneficiary.
30 31 32 33 34	(2) If the beneficiary refuses to submit to the examination or tests under subparagraph (1), his disability retirement benefit shall be discontinued until he withdraws the re- fusal.
35 36 37 38	(3) If the beneficiary's refusal under sub- paragraph (2) continues for one year, all his rights to any further benefits under this article shall cease.

1 2 3 4 5	(4) If it is determined, on the basis or the examination or tests under subparagraph (1), that the disability of a beneficiary no longer exists, the payment of his disability retirement benefit shall cease; and
6 7 8 9	C. The person's average final compensation a retirement shall include the same percentage adjustments, if any, that would apply to the amount of retirement benefit of the beneficiary under section 17806; and
11 12	Sec. 18. 5 MRSA §17907, sub-§2, ¶D is enacted to read:
13 14 15	D. A full month's benefit shall be paid to the beneficiary or estate of the disability retirement recipient for the month in which he dies.
16 17	<pre>Sec. 19. 5 MRSA §17955, as enacted by PL 1985, c. 801, §§5 and 7, is repealed.</pre>
18 19	<pre>Sec. 20. 5 MRSA \$18007, as enacted by PL 1985, c. 801, \$\$5 and 7, is repealed.</pre>
20 21 22	Sec. 21. 5 MRSA \$18203, as enacted by PL 1985 c. 801, §§5 and 7, is amended by adding before subsection 1 a new paragraph to read:
23 24 25	A participating local district may withdraw from further participation in the retirement system under the terms and conditions of this section.
26 27	Sec. 22. 5 MRSA §18251, sub-§2, ¶B, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:
28 29 30 31	B. Membership in the retirement system is optional for elected officials or officials appointed for a fixed term. These special provisions apply to the following:
32 33	(1) Membership of trustees of a water district is governed by Title 35, section 3223;
34 35 36	(2) Membership of trustees of a sanitary district is governed by Title 38, sectio 1104.

1 2	(3) Membership of trustees of a sewer district is governed by Title 38, section 1252.
3 4 5	Sec. 23. 5 MRSA §18251, sub-§2, ¶B as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
6 7 8	Sec. 24. 5 MRSA §18306, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
9	§18306. Refund of contributions
10 11 12 13 14 15	If the service of any member has terminated, except by death or retirement under this Part, or if an employee of a district which withdraws from participation under section 18203 wishes to have his contributions refunded, the member or employee shall be paid the amount of his accumulated contributions under the following conditions.
17 18 19 20 21	$\frac{1.}{10}$ Ten or more years of service. If the member has $\frac{10}{10}$ or more years of creditable service at the time he terminates service, he must have properly applied for a refund of contributions. Refunds of contributions are governed as follows.
22 23 24 25 26	A. Payment shall be made after termination of service and not less than 22 days nor more than 37 days after receipt of the application and of the last payroll upon which the name of the member appears, whichever occurs later.
27 28 29	B. An application for refund is void if the member filing the application returns to service before issuance of the payment.
30 31 32	C. Only contributions made by a particular member may be refunded to that member under this section.
33 34 35 36	2. Less than 10 years of service. If the member has less than 10 years of creditable service at the time he terminates service, refunds of contributions are governed as follows:

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A. Payment shall be made after termination of service and not less than 22 days nor more than 37 days after receipt of the application and of the last payroll upon which the name of the member appears, whichever occurs later.

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fire fighter.

- B. No interest may be added to the member's account for any period beyond the 5th anniversary of the date of the member's termination of service.
- 10 C. An application for refund is void if the mem-11 ber filing the application returns to service be-12 fore issuance of the payment.
- D. Only contributions made by a particular member may be refunded to that member under this section.
- 16 E. The member must have properly applied for a refund of contributions, provided that rules adopted by the board may provide for an automatic refund of contributions if the member has not properly applied for a refund and the amount of accumulated contributions is less than \$650.
 - Sec. 25. 5 MRSA §18309, sub-§1, as enacted by PL
 1985, c. 801, §§5 and 7, is amended to read:
 - 1. Contribution rate. Except as provided in subsection 2, each fire fighter, including the chief of a fire department, employed by a participating local district which provides a special retirement benefit under section 18453, subsection 4 or 5, shall contribute to the retirement system at a rate of 8% of earnable compensation so long as he is employed as a
 - Sec. 26. 5 MRSA §18310, sub-§1, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:
- 1. Contribution rate. Except as provided in subsection 2, each police officer, including the chief
 of a police department, employed by a participating
 local district which provides a special retirement
 benefit under section 18453, subsection 7 or 8, shall
 contribute to the retirement system at a rate of 8%

- of earnable compensation so long as he is employed as 2 a police officer. 3 Sec. 27. 5 MRSA §18351, sub-§3, as enacted by PL 801, §§5 and 7, is amended to read: 4 5 Board determination. The board shall deter-6 mine by appropriate rules how much service in 7 year qualifies for one year's service credit. Service 8 rendered for the full normal working time in any year 9 shall be equivalent to one year's service credit. 10 5 Sec. 28. MRSA §18358, sub-§1, ¶A, as enacted 11 by PL 1985, c. 801, §§5 and 7, is amended to read: 12 Service credit for prior service for the 13 riods of previous service certified by the participating local district as creditable prior 14 service rendered to that district or--to-the 15 16 State, for which the participating local district 17 makes contributions; and 18 Sec. 29. 5 MRSA §18403, sub-§3, as enacted by PL 19 1985, c. 801, §§5 and 7, is amended to read: Time and manner of election. 20 A qualifying must elect a method of payment before the be-21 member 22 ginning of payment of a service retirement benefit. 23 This election must be by written notice to the execu-24 tive director stating the date on which he desires to 25 retire. 26 MRSA §18404, first %, as enacted by Sec. 30. 5 27 PL 1985, c. 801, §§5 and 7, is amended to read: 28 Payment of a service retirement benefit shall begin on the first day of the month following the month in which the qualifying member becomes eligible to 29 30 31 receive payment of his service retirement benefit un-32 section 18451 or 18507. A full month's benefit 33 shall be paid to the beneficiary or estate of the re-34 cipient for the month in which he dies. A qualifying
 - 1985, c. 801, §§5 and 7, is amended to read:

member may select payments in one of the following

Sec. 31. 5 MRSA §18404, sub-§1, as enacted by PL

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methods.

in de wh tr se	e payable for life in equal monthly installments, neithdingany-fraction-of-a-month, up-to-the-date-of eath with no further payment made after the month in the retiree dies. If a participating local distict adopts section 18454, the benefits set forth in ection 18454 will be considered full benefits for	
_	Sec. 32. 5 MRSA §18404, sub-§5, as enacted by PL 985, c. 801, §§5 and 7, is amended to read:	
ha wh ha ha	5. Option 4. The qualifying member may elect to ave a reduced retirement benefit payable to himself alive and at the qualifying member's death to ave some other benefit payable to the beneficiary he as nominated by written designation duly acknowledged and filed with the executive director, if:	
	A. The total value of the benefit during the qualifying member's life plus the benefit after his death is an actuarial equivalent of the benefit which the qualifying member would receive without optional modifications; and	
	B. The method used to determine the benefit is approved by the board.	. <
د ع	Sec. 33. 5 MRSA §18412 is enacted to read:	
31	Benefits are limited as follows:	
<u>đ</u> u on	1. One benefit only. A beneficiary may select aly one benefit, regardless of how many benefits he halifies for; and	
ti be	2. Election final. Except as provided in section 18403, subsection 4, and section 18560, if a eneficiary elects a benefit after receiving reason-	

1. Full benefits. All retirement benefits shall

able notification of available options from the retirement system, his election of a benefit is final and may not be changed or revoked at a later date.

PL 1985, c. 801, §§5 and 7, is amended to read:

Sec. 34. 5 MRSA §18451, first ¶, as enacted by

1 2 3 4 5	A member's qualification for service retirement benefits is governed by subsection 1, 2 or 3, unless the requirements of section 18543 18453 are satisfied, in which case, one or more of the subsections of section 18453 governs.
6 7	Sec. 35. 5 MRSA §18451, sub-§1, ¶C, as enacted by PL 1985, c. 801, §§5 and 7, is repealed.
8 9	Sec. 36. 5 MRSA §18451, sub-§2, ¶C, as enacted by PL 1985, c. 801, §§5 and 7, is repealed.
10 11 12	Sec. 37. 5 MRSA §18451, sub-§3, as enacted by PI 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
13 14 15 16 17 18 19 20 21 22	3. Member with creditable service of 25 years or more. A member who has completed 25 or more years of creditable service qualifies for a service retirement benefit if he retires at any time after completing 25 years of service, which may include, for the purpose of meeting eligibility requirements, creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.
23 24	Sec. 38. 5 MRSA §18453, sub-§10, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:
25 26 27 28 29 30 31	10. Additional Benefits #1. An additional retirement benefit for all employees qualifying under subsections 1 to 9 of 2% of average final compensation for each year of membership service not included in the qualifying-employment-served-after-completion of-the age and service conditions for retirement under those subsections.
32 33 34	Sec. 39. 5 MRSA §18507, sub-§1, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:

1. Beginning. If the executive director receives the written application for disability retirement benefits within 6 months after the date of termination of active service of the member, payment of benefits shall begin on the first day of the month fol-

1 2 3 4 5 6 7 8 9 10 11 12	lowing the date of termination of active service of the member. If the executive director receives the written application for disability retirement benefits more than 6 months after the date of termination of active service of the member, payment of benefits shall begin on the first day of the month following the date 6 months prior to the date of receipt by the executive director of the written application, by or on behalf of the member, for disability retirement, provided that payment of benefits shall begin on the first day of the month following the date of termination of active service of the member if it is shown that:
14 15 16	A. It was not reasonably possible to file the application for disability retirement benefits within the 6-month period; and
17 18	B. The application was made as soon as was reasonably possible.
19 20 21	Sec. 40. 5 MRSA §18507, sub-§2, ¶A, as enacted by PL 1985, c. 801, §§5 and 7, is repealed and the following enacted in its place:
22 23 24	A. A disability retirement benefit ceases and eligibility for a service retirement benefit begins:
25 26 27	(1) On the last day of the month in which the 10th anniversary of the beneficiary's normal retirement age occurs; or
28 29 30 31 32 33	(2) On the last day of the month in which the service retirement benefit of the beneficiary would equal or exceed the amount of his disability retirement benefit, if that occurs before the 10th anniversary of the beneficiary's normal retirement age;
34 35	Sec. 41. 5 MRSA §18507, sub-§2, ¶D is enacted to read:

D. A full month's benefit shall be paid to the beneficiary or estate of the disability retirement recipient for the month in which he dies.

1 2	<pre>Sec. 42. 5 MRSA §18558, as enacted by PL 1985 c. 801, §§5 and 7, is repealed.</pre>
3 4	<pre>Sec. 43. 5 MRSA \$18607 as enacted by PL 1985, c. 801, §\$5 and 7, is repealed.</pre>
5 6 7	Sec. 44. 35 MRSA §3223, sub-§5, as enacted by PI 1981, c. 447, §1, is repealed and the following enacted in its place:
8 9 10 11 12 13 14 15 16 17 18	5. Trustees retirement. Persons who have not been trustees prior to January 1, 1987, and who are not full-time employees, shall not be eligible to become members of the Maine State Retirement System as a result of their selection as trustees. For purposes of determining a water district trustee's eligibility to be a member of the Maine State Retirement System prior to January 1, 1987, the provisions of the appropriate governing charter in effect at the time of the trustee's application for membership shall control. Sec. 45. 38 MRSA §1104, sub-§3, as enacted by PI
 20 21	1981, c. 466, §3, is repealed and the following enacted in its place:
22 23 24 25 26	3. Trustees retirement. Persons who have not been trustees prior to January 1, 1987, and who are not full-time employees, shall not be eligible to become members of the Maine State Retirement System as a result of their selection as trustees.
27 28 29	Sec. 46. 38 MRSA §1252, sub-§6, as enacted by PL 1981, c. 466, §13, is repealed and the following enacted in its place:

The new draft makes editorial changes to the original bill. It deletes sections 15 and 42 of the original bill which proposed changes in definition of allowable compensation under disability provisions. It deletes sections 20, 21, 23, 46 to 49 and 51 to 54 of the original bill which revised the provisions for survivor's benefits. It deletes section 26 of the original bill since it duplicated rules for compulsory membership of participating local district members which were already in the Maine State Retirement System's rules. It adds 3 addition sections at the

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end dealing with membership in the Maine

tirement System.