

MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 2299

S.P. 887 In Senate, February 19, 1988
Approved for Introduction by a Majority of the Legislative
Council pursuant to Joint Rule 26.

Reference to the Committee on Aging, Retirement and
Veterans suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator DOW of Kennebec.

Cosponsored by Senator TWITCHELL of Oxford, Representative
MAYO of Thomaston, Representative HICKEY of Augusta.

STATE OF MAINE

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

AN ACT to Provide for Payment of
Contributions by Employers Under the Maine
State Retirement System.

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

7 Sec. 1. 5 MRSA §17001, sub-§1, as enacted by PL
8 1985, c. 801, §§5 and 7, is amended to read:

1 1. Accumulated contributions. "Accumulated
2 contributions" means the sum of all the amounts
3 contributed by the member or picked up by the employer
4 from the compensation of a member and credited to a
5 the member's individual account in the Members'
6 Contribution Fund, plus regular interest on the
7 member's account, as provided in subchapter IV,
8 article 2.

9 Sec. 2. 5 MRSAs §17001, sub-§13, ¶A, as enacted
10 by PL 1985, c. 801, §§5 and 7, is amended to read:

11 A. "Earnable compensation" includes:

- 12 (1) Workers' compensation benefits;
- 13 (2) Maintenance, if any; and
- 14 (3) Any money paid by an employer under an
15 annuity contract for the future benefit of an
16 employee; and
- 17 (4) Pick-up contributions.

18 Sec. 3. 5 MRSAs §17001, sub-§28-A is enacted to
19 read:

20 28-A. Pick-up contributions. "Pick-up
21 contributions" means member contributions to the
22 retirement system which are assumed and paid by the
23 employer through a reduction of members' salaries for
24 services rendered, in accordance with the United
25 States Internal Revenue Code, Section 414(h), in lieu
26 of employee contributions.

27 Sec. 4. 5 MRSAs §17054, first ¶, as enacted by
28 PL 1985, c. 801, §§5 and 7, is amended to read:

29 The right of a person to a retirement allowance,
30 the retirement allowance itself, the refund of a
31 person's accumulated contributions, any death benefit,
32 any other right accrued or accruing to any person
33 under this Part and the money in the various funds
34 created by this Part may not be subject to execution,
35 garnishment, attachment or any other process and shall

1 be unassignable except that:

2 Sec. 5. 5 MRSA §17154, sub-§§5 and 6, as
3 enacted by PL 1985, c. 801, §§5 and 7, are amended to
4 read:

5 5. Payment of employer charges for state
6 employees. For state employees, on every payroll from
7 which retirement contributions are deducted or picked
8 up, the State Controller shall cause a charge to be
9 made to each department of the State in order to pay
10 employer costs.

11 A. The charge shall be a percentage, to be
12 predetermined by the actuary and approved by the
13 board, of the total gross salaries earnable
14 compensation of members appearing on the payroll
15 of each department.

16 B. The amount or amounts shall be credited to the
17 appropriate funds as listed in this subchapter.

18 6. Payment of employer charges for teachers. For
19 teachers, percentage rates to be predetermined by the
20 actuary and approved by the board shall be applied to
21 the total gross salaries earnable compensation of
22 members covering the most recent school year preceding
23 the preparation of the biennial budget.

24 A. The resulting amount shall be appropriated and
25 credited to the appropriate funds.

26 B. Notwithstanding this section, the employer
27 retirement costs related to the retirement system
28 applicable to those teachers whose funding is
29 provided from federal grants or through federal
30 reimbursement shall be paid by local school
31 systems from those federal funds.

32 Sec. 6. 5 MRSA §17158, as enacted by PL 1985,
33 c. 801, §§5 and 7, is amended to read:

34 §17158. Full funding

35 Upon full funding of the accrued unfunded reserves

1 of the Maine State Retirement System, the board of
2 trustees may reduce employer contributions to the
3 level required to maintain proper funding of earned
4 benefits. The board of trustees may also seek
5 legislative action to reduce employee contributions or
6 pick-up contributions established by this Part.

7 Sec. 7. 5 MRSA §17203, sub-§§3 and 4, as
8 enacted by PL 1985, c. 801, §§5 and 7, are amended to
9 read:

10 3. Member's consent. Every member shall be
11 deemed to consent to allow the chief administrative
12 officer of his department, school or participating
13 local district to make deductions from the member's
14 compensation or to make pick-up contributions to
15 satisfy the member's required contribution to the
16 retirement system.

17 4. Discharge of claims. Payment of compensation
18 to a member, minus the deduction adjustment to
19 compensation resulting from a deduction or employer
20 pick-up of contributions under this section, shall be
21 a complete discharge of all claims and demands based
22 on the services rendered by the member during the
23 period covered by the payment, except for any claims
24 or demands for the benefits provided under this Part.

25 Sec. 8. 5 MRSA §17253, sub-§1, as enacted by PL
26 1985, c. 801, §§5 and 7, is amended to read:

27 1. Computation. The employer contribution rate
28 shall be determined as the percentage of the members'
29 earnable compensation payable during the members'
30 periods of membership required to provide the
31 difference between the total liabilities for
32 retirement allowances not provided by the members'
33 accumulated contributions and the amount of the assets
34 in the Retirement Allowance Fund.

35 Sec. 9. 5 MRSA §17652, sub-§2, ¶¶A and B, as
36 enacted by PL 1985, c. 801, §§5 and 7, are amended to
37 read:

38 A. A person who joins the retirement system under

1 this subsection may not pay contributions or have
2 pick-up contributions made on or receive any
3 service credit for the period during which he
4 elected not to be a member of the system.

5 B. Membership service credit for persons joining
6 the retirement system under this subsection shall
7 begin as of the effective date of first
8 contributions or pick-up contributions to the
9 system.

10 Sec. 10. 5 MRSA §17654, sub-§1, as enacted by
11 PL 1985, c. 801, §§5 and 7, is amended to read:

12 1. Withdrawal. Withdraws his accumulated
13 contributions;

14 Sec. 11. 5 MRSA §17655, sub-§1, ¶A, as enacted
15 by PL 1985, c. 801, §§5 and 7, is amended to read:

16 A. Any employee entering a class of service in
17 the Armed Forced Forces of the United States
18 approved by resolution of the board, if the
19 employee does not withdraw his accumulated
20 contributions; and

21 Sec. 12. 5 MRSA §17657, sub-§1, as enacted by
22 PL 1985, c. 801, §§5 and 7, is amended to read:

23 1. Membership in the retirement system. The
24 following persons are considered members of the
25 retirement system if they make payments to the
26 Members' Contribution Fund in the same amounts and
27 during the same periods as other state employees have
28 made to that fund, either through direct contributions
29 or pick-up contributions:

30 A. Any person who was an employee on December 31,
31 1941, and who was transferred to the federal
32 employment service; and

33 B. Any person employed by the federal employment
34 service after December 31, 1941, who subsequently
35 became a state employee at or after the date on
36 which the federal employment service was returned

1 to the State as an operating unit.

2 **Sec. 13.** 5 MRSa §17658, sub-§1, as enacted by
3 PL 1985, c. 801, §§5 and 7, is amended to read:

4 1. Membership in the retirement system. Any
5 person who was an employee on December 31, 1941, and
6 who later transferred to the Maine National Guard and
7 was employed under the National Defense Act of June 3,
8 1916, section 90, is considered a member of the
9 retirement system if he makes payments to the Members'
10 Contribution Fund in the same amounts and during the
11 same periods as other state employees have made to
12 that fund, either through direct contributions or
13 pick-up contributions.

14 **Sec. 14.** 5 MRSa §17701, as enacted by PL 1985,
15 c. 801, §§5 and 7, is amended to read:

16 §17701. Member contributions

17 Each member shall contribute to the retirement
18 system or have pick-up contributions made for him at a
19 rate of 6.5% of earnable compensation, except as
20 otherwise provided in this Part.

21 1. Employer pick-up. The contributions required
22 to be made on behalf of members under this section
23 shall, after the effective date of this section, be
24 picked up by the employer, in lieu of contributions by
25 the employee.

26 2. No employee option. The employee may not
27 choose to receive pick-up contribution amounts
28 directly instead of having them paid by the employer
29 to the system.

30 3. Treatment of pick-up contributions. Pick-up
31 contributions shall be treated as follows.

32 A. Pick-up contributions shall be treated as the
33 employer's contribution in determining tax
34 treatment under the United States Internal Revenue
35 Code for federal tax purposes, pursuant to the
36 United States Code, Title 26, Section 414(h)(2).

1 B. For all other purposes, pick-up contributions
2 shall be treated in the same manner and to the
3 same extent as contributions made by a member
4 before the effective date of this section.

5 Sec. 15. 5 MRSA §17702, first ¶, as enacted by
6 PL 1985, c. 801, §§5 and 7, is amended to read:

7 Notwithstanding any other provision in this Part,
8 the State may agree to provide for members, through a
9 collective bargaining contract, and the Legislative
10 Council may agree to provide, for approved legislative
11 employees, payment for a member's mandatory
12 contribution to the Maine State Retirement System, as
13 established by section 17701, instead of deducting the
14 contribution from the member's compensation or having
15 the contribution picked up by the employer.

16 Sec. 16. 5 MRSA §17702, sub-§2, as enacted by
17 PL 1985, c. 801, §§5 and 7, is amended to read:

18 2. Manner of payment. Payments shall be made in
19 the same manner and on the same basis as contributions
20 deducted from the member's compensation or picked up
21 by the employer under sections 17201, 17202 and 17203.

22 Sec. 17. 5 MRSA §17704, sub-§3, as enacted by
23 PL 1985, c. 801, §§5 and 7, is amended to read:

24 3. Amount of payment. The amount of payment must
25 be equal to the contributions that the member would
26 have paid or had picked up by the employer had he been
27 a member during the entire period from the date of
28 first employment to the date of becoming a member plus
29 interest at a rate, to be set by the board, not to
30 exceed regular interest by 5 or more percentage
31 points. Interest shall be computed beginning the end
32 of the year when those contributions or pick-up
33 contributions would have been made or beginning July
34 1, 1957, whichever is later, to the date of payment.

35 Sec. 18. 5 MRSA §17705, as repealed and
36 replaced by PL 1987, c. 256, §6, is amended to read:

1 §17705. Refund of accumulated contributions

2 If the service of any member has terminated,
3 except by death or by retirement under this Part, the
4 member shall be paid the amount of his accumulated
5 contributions, under the following conditions.

6 1. Ten or more years of service. If the member
7 has 10 or more years of creditable service at the time
8 he terminates service, he must have properly applied
9 for a refund of accumulated contributions. Refunds of
10 accumulated contributions are governed as follows.

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

16 B. An application for refund is void if the
17 member filing the application returns to service
18 as a state employee or teacher before issuance of
19 the payment.

20 C. Only contributions made by a particular member
21 or picked up by the employer may be refunded to
22 that member under this section.

23 2. Less than 10 years of service. If the member
24 has less than 10 years of creditable service at the
25 time he terminates service, refunds of accumulated
26 contributions are governed as follows.

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

32 B. No interest may be added to the member's
33 account for any period beyond the 5th anniversary
34 of the date of the member's termination of service.

35 C. An application for refund is void if the
36 member filing the application returns to service

1 as a state employee or teacher before issuance of
2 the payment.

3 D. Only contributions made by a particular member
4 or picked up by the employer may be refunded to
5 that member under this section.

6 E. The member must have properly applied for a
7 refund of accumulated contributions, provided that
8 rules adopted by the board may provide for an
9 automatic refund of contributions if the member
10 has not properly applied for a refund and the
11 amount of accumulated contributions is less than
12 \$650.

13 Sec. 19. 5 MRSA §17706, as enacted by PL 1985,
14 c. 801, §§5 and 7, is amended to read:

15 §17706. Inactive accounts

16 Any member account in the retirement system which
17 has been inactive for 10 or more years, and which has
18 a balance of accumulated contributions under \$100, may
19 be transferred by the executive director to the
20 Retirement Allowance Fund.

21 1. Restoration to service. Any former member who
22 is restored to service may have any accumulated
23 contributions and interest transferred under this
24 section restored to that member's credit.

25 2. Refunds. Any former member who applies for a
26 refund of accumulated contributions and interest
27 transferred under this section shall be paid that
28 refund in accordance with section 17705.

29 Sec. 20. 5 MRSA §17708, sub-§2, as enacted by
30 PL 1985, c. 801, §§5 and 7, is amended to read:

31 2. Before September 1, 1984. A state police
32 officer who was first employed by that department
33 after July 9, 1943, but before September 1, 1984,
34 shall contribute to the retirement system or have
35 pick-up contributions made by the employer as follows:

1 A. At a rate of 7.5% of earnable compensation
2 until he has completed 20 years of creditable
3 service, as required under section 17851,
4 subsection 4, paragraph A; and

5 B. After completing the service described in
6 paragraph A, at a rate of 6.5% of earnable
7 compensation for the remainder of his employment
8 as a state police officer.

9 Sec. 21. 5 MRSA §17709, first ¶, as enacted by
10 PL 1985, c. 801, §§5 and 7, is amended to read:

11 A law enforcement officer in the Department of
12 Inland Fisheries and Wildlife who was first employed
13 in that capacity before September 1, 1984, shall
14 contribute to the retirement system or have pick-up
15 contributions made by the employer as follows:

16 Sec. 22. 5 MRSA §17710, as enacted by PL 1985,
17 c. 801, §§5 and 7, is amended to read:

18 §17710. Marine Resources officers

19 1. Before September 1, 1984. A law enforcement
20 officer in the Department of Marine Resources who was
21 first employed in that capacity before September 1,
22 1984, shall contribute to the retirement system or
23 have pick-up contributions made by the employer as
24 follows:

25 A. At a rate of 7.5% of earnable compensation
26 until he has completed 20 years of creditable
27 service, as required under section 17851,
28 subsection 6; and

29 B. After completing the service described in
30 paragraph A, at a rate of 6.5% of earnable
31 compensation for the remainder of his employment
32 in that capacity.

33 2. Commissioner or deputy commissioner. A
34 commissioner or deputy commissioner of the Department
35 of Marine Resources may elect to contribute as a

1 member or have pick-up contributions made by the
2 employer under section 17701, rather than under this
3 section, if he files by filing a written copy of
4 the election of his choice with the board.

5 Sec. 23. 5 MRSA §17711, first ¶, as enacted by
6 PL 1985, c. 801, §§5 and 7, is amended to read:

7 A forest ranger in the Bureau of Forestry,
8 Department of Conservation, who was first employed in
9 that capacity before September 1, 1984, shall
10 contribute to the retirement system or have pick-up
11 contributions made by the employer as follows:

12 Sec. 24. 5 MRSA §17712, as enacted by PL 1985,
13 c. 801, §§5 and 7, is amended to read:

14 §17712. Maine State Prison employees

15 1. Before September 1, 1984. An employee of the
16 Maine State Prison who holds a position described in
17 section 17851, subsection 11, and who was first
18 employed in one of those capacities before September
19 1, 1984, shall contribute to the retirement system or
20 have pick-up contributions made by the employer as
21 follows:

22 A. At a rate of 7.5% of earnable compensation
23 until he has met the eligibility requirements for
24 retirement under section 17851, subsection 11,
25 paragraph A; and

26 B. After meeting the eligibility requirements for
27 retirement, at a rate of 6.5% of earnable
28 compensation for the remainder of his employment
29 in one or more of those capacities.

30 2. After August 31, 1984. An employee of the
31 Maine State Prison who was first employed after August
32 31, 1984, in a position described in section 17851,
33 subsection 11, shall contribute to the retirement
34 system or have pick-up contributions made by the
35 employer as follows:

36 A. At a rate of 7.5% of earnable compensation

1 until he has completed 25 years of creditable
2 service in one or more of those capacities; and

3 B. After completing the service described in
4 paragraph A, at a rate of 6.5% of earnable
5 compensation for the remainder of his employment
6 in one or more of those capacities.

7 Sec. 25. 5 M RSA §17801, as enacted by PL 1985,
8 c. 801, §§5 and 7, is amended to read:

9 §17801. Amendment not to cause reduction in benefit

10 No amendment to this Part may cause any reduction
11 in the amount of benefits which would be due to a
12 member based on creditable service, earnable
13 compensation, employee contributions, pick-up
14 contributions and the provisions of this Part on the
15 date immediately preceding the effective date of the
16 amendment.

17 Sec. 26. 5 M RSA §17851, sub-§7, ¶B, as enacted
18 by PL 1985, c. 801, §§5 and 7, is amended to read:

19 B. Contributed or had pick-up contributions made
20 by the employer as a law enforcement officer under
21 section 17710, subsection 1.

22 Sec. 27. 5 M RSA §17855, sub-§3, ¶A, as enacted
23 by PL 1985, c. 801, §§5 and 7, is amended to read:

24 A. The person shall again become a member of the
25 retirement system and shall begin contributing or
26 having pick-up contributions made by the employer
27 at the current rate; and

28 Sec. 28. 5 M RSA §18251, sub-§2, ¶D, as enacted
29 by PL 1985, c. 801, §§5 and 7, is amended to read:

30 D. A person who elects not to join the retirement
31 system under paragraph B or C at the beginning of
32 his employment may at any time apply for and be
33 admitted to membership.

34 (1) A person who joins the retirement system

1 under this subsection may not pay
2 contributions or have pick-up contributions
3 made on or receive any service credit for the
4 period during which he elected not to be a
5 member of the retirement system.

6 (2) Membership service credit for persons
7 joining the retirement system under this
8 subsection shall begin as of the effective
9 date of first contributions or pick-up
10 contributions to the retirement system.

11 (3) This paragraph applies to any member who
12 begins membership after December 31, 1985.

13 Sec. 29. 5 MRSA §18252, sub-§§2 and 3, as
14 enacted by PL 1985, c. 801, §§5 and 7, are amended to
15 read:

16 2. Employee who is a participating member. An
17 employee who is a participating member of the
18 retirement system and who wishes to withdraw from the
19 system may, at his discretion, withdraw his
20 accumulated contributions in accordance with the
21 procedures in section 18306.

22 3. Employee who has previously withdrawn. An
23 employee who has previously withdrawn from the
24 retirement system may choose to rejoin the system
25 within 3 years of his withdrawal under the following
26 conditions.

27 A. He must repay to the retirement system an
28 amount equivalent to the withdrawn accumulated
29 contributions plus the amount of interest which
30 would be required of any terminated employee who
31 had become reemployed and had elected to rejoin
32 the retirement system and to repay his
33 contributions.

34 B. The employer must still be a participating
35 local district allowing new membership in the
36 retirement system.

37 C. The right to rejoin is limited to one

1 occurrence.

2 Sec. 30. 5 MRSA §18254, sub-§§1 and 4, as
3 enacted by PL 1985, c. 801, §§5 and 7, are amended to
4 read:

5 1. Employee who withdraws accumulated
6 contributions. An employee of the district who
7 withdraws his accumulated contributions may not be a
8 member of the retirement system as an employee of that
9 district.

10 4. Former employee who has not withdrawn
11 accumulated contributions. For a former employee who
12 has not withdrawn his accumulated contributions from
13 the retirement system, the district shall continue to
14 be a participating local district and that person
15 shall be subject to this Part.

16 Sec. 31. 5 MRSA §18257, sub-§1, as enacted by
17 PL 1985, c.801, §§5 and 7, is amended to read:

18 1. Withdrawal. Withdraws his accumulated
19 contributions;

20 Sec. 32. 5 MRSA §18258, sub-§1, ¶A, as enacted
21 by PL 1985, c. 801, §§5 and 7, is amended to read:

22 A. Any employee entering a class of service in
23 the Armed Forces of the United States approved by
24 resolution of the board, if the employee does not
25 withdraw his accumulated contributions; and

26 Sec. 33. 5 MRSA §18301, as enacted by PL 1985,
27 c. 801, §§5 and 7, is amended to read:

28 §18301. Member contribution

29 Each member shall contribute to the retirement
30 system or have pick-up contributions made by the
31 employer at a rate of 6.5% of earnable compensation,
32 except as otherwise provided in this Part.

33 1. Employer pick-up. The contributions required

1 to be made on behalf of members under this section
2 shall, after the effective date of this section, be
3 picked up by the employer, in lieu of contributions by
4 the employee.

5 2. No employee option. The employee may not
6 choose to receive pick-up contribution amounts
7 directly instead of having them paid by the employer
8 to the system.

9 3. Treatment of pick-up contributions. Pick-up
10 contributions shall be treated as follows.

11 A. Pick-up contributions shall be treated as the
12 employer's contribution in determining tax
13 treatment under the United States Internal Revenue
14 Code for federal tax purposes, pursuant to the
15 United States Code, Title 26, Section 414(h)(2).

16 B. For all other purposes, pick-up contributions
17 shall be treated in the same manner and to the
18 same extent as contributions made by a member
19 before the effective date of this section.

20 Sec. 34. 5 MRSA §18303, sub-§1, ¶A, as enacted
21 by PL 1985, c. 801, §§5 and 7, is amended to read:

22 A. The contributions and pick-up contributions
23 computed under sections 18301 and 18302;

24 Sec. 35. 5 MRSA §18305, sub-§3, as enacted by
25 PL 1985, c. 801, §§5 and 7, is amended to read:

26 3. Amount of payment. The amount of payment must
27 be equal to the contributions that the member would
28 have paid or had picked up by the employer had he been
29 a member during the entire period from the date of
30 first employment to the date of becoming a member plus
31 interest at a rate, to be set by the board, not to
32 exceed regular interest by 5 or more percentage
33 points. Interest shall be computed beginning the end
34 of the year when those contributions or pick-up
35 contributions would have been made or beginning July
36 1, 1957, whichever is later, to the date of payment.

1 Sec. 36. 5 MRSA §18306, as repealed and
2 replaced by PL 1987, c. 256, §25, is amended to read:

3 §18306. Refund of accumulated contributions

4 If the service of any member has terminated,
5 except by death or retirement under this Part, or if
6 an employee of a district which withdraws from
7 participation under section 18203 wishes to have his
8 accumulated contributions refunded, the member or
9 employee shall be paid the amount of his accumulated
10 contributions under the following conditions.

11 1. Ten or more years of service. If the member
12 has 10 or more years of creditable service at the time
13 he terminates service, he must have properly applied
14 for a refund of accumulated contributions. Refunds of
15 accumulated contributions are governed as follows.

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

21 B. An application for refund is void if the
22 member filing the application returns to service
23 before issuance of the payment.

24 C. Only contributions made by a particular member
25 or picked up by the employer may be refunded to
26 that member under this section.

27 2. Less than 10 years of service. If the member
28 has less than 10 years of creditable service at the
29 time he terminates service, refunds of accumulated
30 contributions are governed as follows:

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

36 B. No interest may be added to the member's

1 account for any period beyond the 5th anniversary
2 of the date of the member's termination of service.

3 C. An application for refund is void if the
4 member filing the application returns to service
5 before issuance of the payment.

6 D. Only contributions made by a particular member
7 or picked up by the employer may be refunded to
8 that member under this section.

9 E. The member must have properly applied for a
10 refund of accumulated contributions, provided that
11 rules adopted by the board may provide for an
12 automatic refund of contributions if the member
13 has not properly applied for a refund and the
14 amount of accumulated contributions is less than
15 \$650.

16 Sec. 37. 5 MRSA §18307, as enacted by PL 1985,
17 c. 801, §§5 and 7, is amended to read:

18 §18307. Inactive accounts

19 Any member account in the retirement system which
20 has been inactive for 10 or more years and which has a
21 balance of accumulated contributions under \$100 may be
22 transferred by the executive director to the
23 Retirement Allowance Fund.

24 1. Restoration to service. Any former member who
25 is restored to service may have any accumulated
26 contributions and interest transferred under this
27 section restored to that member's credit.

28 2. Refunds. Any former member who applies for a
29 refund of accumulated contributions and interest
30 transferred under this section shall be paid that
31 refund in accordance with section 18306.

32 Sec. 38. 5 MRSA §18309, sub-§1, as amended by
33 PL 1987, c. 256, §26, is further amended to read:

34 1. Contribution rate. Except as provided in
35 subsection 2, each fire fighter, including the chief

1 of a fire department, employed by a participating
2 local district which provides a special retirement
3 benefit under section 18453, subsection 4 or 5, shall
4 contribute to the retirement system or have pick-up
5 contributions made by the employer at a rate of 8% of
6 earnable compensation ~~so~~ as long as he is employed
7 as a fire fighter.

8 **Sec. 39.** 5 MRSA §18310, sub-§1, as amended by
9 PL 1987, c. 256, §27, is further amended to read:

10 1. Contribution rate. Except as provided in
11 subsection 2, each police officer, including the chief
12 of a police department, employed by a participating
13 local district which provides a special retirement
14 benefit under section 18453, subsection 7 or 8, shall
15 contribute to the retirement system or have pick-up
16 contributions made by the employer at a rate of 8% of
17 earnable compensation ~~so~~ as long as he is employed
18 as a police officer.

19 **Sec. 40.** 5 MRSA §18358, sub-§1, ¶B, as enacted
20 by PL 1985, c. 801, §§5 and 7, is amended to read:

21 B. Service credit for all membership service for
22 which contributions are paid into the retirement
23 system by the member or picked up by the employer.

24 **Sec. 41.** 5 MRSA §18358, sub-§2, ¶¶A and B, as
25 enacted by PL 1985, c. 801, §§5 and 7, are amended to
26 read:

27 A. May not pay contributions or have pick-up
28 contributions made by the employer on or receive
29 any service credit for the period during which he
30 elected not to be a member of the retirement
31 system; and

32 B. Begins to accrue membership service credit on
33 the effective date of first contributions or
34 pick-up contributions to the retirement system.

35 **Sec. 42.** 5 MRSA §18401, as enacted by PL 1985,
36 c. 801, §§ 5 and 7, is amended to read:

1 §18401. Amendment not to cause reduction in benefit

2 No amendment to this Part may cause any reduction
3 in the amount of benefits which would be due to a
4 member based on creditable service, earnable
5 compensation, employee contributions, pick-up
6 contributions and the provisions of this Part on the
7 date immediately preceding the effective date of the
8 amendment.

9 Sec. 43. 5 MRSA §18457, sub-§3, ¶A, as enacted
10 by PL 1985, c. 801, §§5 and 7, is amended to read:

11 A. The person shall again become a member of the
12 retirement system and shall begin contributing or
13 having pick-up contributions made by the employer
14 at the current rate; and

15 Sec. 44. Effective date. Since this Act is
16 contingent upon approval of the employer pick-up plan
17 of the Maine State Retirement System by the Internal
18 Revenue Service under the United States Code, Title
19 26, Section 414(h)(2), the provisions of this Act
20 shall become effective as of the date of approval of
21 the pick-up plan by the Internal Revenue Service. The
22 Maine State Retirement System shall put the pick-up
23 plan into operation within a reasonable period of time
24 after approval by the Internal Revenue Service. If
25 the employer pick-up plan is not approved by the
26 Internal Revenue Service, this Act shall be null, void
27 and of no effect.

28 STATEMENT OF FACT

29 This bill is a vehicle for making the
30 contributions made by members of the Maine State
31 Retirement System tax-sheltered. Members who are now
32 making contributions will continue to do so; however,
33 the amount of the employees' contributions to the
34 retirement system would not be taxable at the time
35 earned. This means that a member of the retirement
36 system whose entire membership was during the time
37 that the employer pick-up was in effect would pay
38 income tax on all of his retirement benefit when he

1 retires. Approval of this plan by the United States
2 Internal Revenue Service must be received before the
3 plan may go into effect.

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