

# MAINE STATE LEGISLATURE

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(New Draft of S.P. 887, L.D. 2299)  
SECOND REGULAR SESSION

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ONE HUNDRED AND THIRTEENTH LEGISLATURE

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Legislative Document

No. 2595

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S.P. 977

In Senate, March 29, 1988

Reported by Senator BERUBE of Androscoggin for the Committee on AGING; RETIREMENT, and VETERANS and printed under Joint Rule 2. Original Bill sponsored by Senator DOW of Kennebec. Cosponsored by: Senator TWITCHELL of Oxford, Representative MAYO of Thomaston, Representative HICKEY of Augusta.

JOY J. O'BRIEN, Secretary of the Senate

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STATE OF MAINE

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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 MRSA §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 MRSA §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 MRSA §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 contributions under this section, shall be a  
21 complete discharge of all claims and demands based on  
22 the services rendered by the member during the period  
23 covered by the payment, except for any claims or  
24 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 that person elected not to be a member of the  
5 system.

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

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

13 1. Withdrawal. Withdraws his accumulated  
14 contributions;

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

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

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

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

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

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

1 which the federal employment service was returned  
2 to the State as an operating unit.

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

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

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

17 §17701. Member contributions

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

22 1. Employer pick-up. The contributions required  
23 to be made on behalf of a member under this section  
24 shall, after the effective date of this section, be  
25 picked up by the employer in lieu of contributions by  
26 the employee with a reduction of the member's salary  
27 consistent with section 17001, subsection 28-A.

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

32 2-A. Optional members. If a person, whose  
33 membership in the Maine State Retirement System is  
34 optional under section 17652, elects a 5% salary  
35 increase in lieu of state payment of the retirement  
36 contribution, pursuant to Public Law 1981, chapter  
37 453, and chooses to participate in the Maine State

1 Retirement System, the State shall pick up the  
2 retirement contribution with a reduction of the  
3 member's salary consistent with section 17001,  
4 subsection 28-A.

5 3. Treatment of pick-up contributions. Pick-up  
6 contributions shall be treated as follows.

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

12 B. For all other purposes, pick-up contributions  
13 shall be treated in the same manner and to the  
14 same extent as member contributions were treated  
15 before the effective date of this section.

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

18 Notwithstanding any other provision in this Part,  
19 the State may agree to provide for members, pursuant  
20 to law, through a collective bargaining contract,  
21 and or as the Legislative Council may agree to  
22 provide, for approved legislative employees, payment  
23 for a member's mandatory contribution to the Maine  
24 State Retirement System, as established by section  
25 17701, instead of deducting the contribution from the  
26 member's compensation or having the contribution  
27 picked up by the employer.

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

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

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

36 3. Amount of payment. The amount of payment must



1 be equal to the contributions that the member would  
2 have paid or had picked up by the employer had he  
3 the member been a member during the entire period from  
4 the date of first employment to the date of becoming a  
5 member plus interest at a rate, to be set by the  
6 board, not to exceed regular interest by 5 or more  
7 percentage points. Interest shall be computed  
8 beginning the end of the year when those contributions  
9 or pick-up contributions would have been made or  
10 beginning July 1, 1957, whichever is later, to the  
11 date of payment.

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

14 §17705. Refund of accumulated contributions

15 If the service of any member has terminated,  
16 except by death or by retirement under this Part, the  
17 member shall be paid the amount of his accumulated  
18 contributions, under the following conditions.

19 1. Ten or more years of service. If the member  
20 has 10 or more years of creditable service at the  
21 time he terminates service service is terminated,  
22 he the member must have properly applied for a refund  
23 of accumulated contributions. Refunds of accumulated  
24 contributions are governed as follows.

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

30 B. An application for refund is void if the  
31 member filing the application returns to service  
32 as a state employee or teacher before issuance of  
33 the payment.

34 C. Only contributions made by a particular member  
35 or picked up by the employer may be refunded to  
36 that member under this section.

37 2. Less than 10 years of service. If the member

1 has less than 10 years of creditable service at the  
2 time he terminates service service is terminated,  
3 refunds of accumulated contributions are governed as  
4 follows:

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

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

13 C. An application for refund is void if the  
14 member filing the application returns to service  
15 as a state employee or teacher before issuance of  
16 the payment.

17 D. Only contributions made by a particular member  
18 or picked up by the employer may be refunded to  
19 that member under this section.

20 E. The member must have properly applied for a  
21 refund of accumulated contributions, provided that  
22 rules adopted by the board may provide for an  
23 automatic refund of contributions if the member  
24 has not properly applied for a refund and the  
25 amount of accumulated contributions is less than  
26 \$650.

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

29 §17706. Inactive accounts

30 Any member account in the retirement system which  
31 has been inactive for 10 or more years, and which has  
32 a balance of accumulated contributions under \$100, may  
33 be transferred by the executive director to the  
34 Retirement Allowance Fund.

35 1. Restoration to service. Any former member who  
36 is restored to service may have any accumulated

1 contributions and interest transferred under this  
2 section restored to that member's credit.

3 2. Refunds. Any former member who applies for a  
4 refund of accumulated contributions and interest  
5 transferred under this section shall be paid that  
6 refund in accordance with section 17705.

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

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

14 A. At a rate of 7.5% of earnable compensation  
15 until he the state police officer has completed  
16 20 years of creditable service, as required under  
17 section 17851, subsection 4, paragraph A; and

18 B. After completing the service described in  
19 paragraph A, at a rate of 6.5% of earnable  
20 compensation for the remainder of his  
21 employment as a state police officer.

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

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

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

31 §17710. Marine Resources officers

32 1. Before September 1, 1984. A law enforcement  
33 officer in the Department of Marine Resources who was  
34 first employed in that capacity before September 1,  
35 1984, shall contribute to the retirement system or

1 have pick-up contributions made by the employer as  
2 follows:

3 A. At a rate of 7.5% of earnable compensation  
4 until ~~he~~ the officer has completed 20 years of  
5 creditable service, as required under section  
6 17851, subsection 6; and

7 B. After completing the service described in  
8 paragraph A, at a rate of 6.5% of earnable  
9 compensation for the remainder of his  
10 employment in that capacity.

11 2. Commissioner or deputy commissioner. A  
12 commissioner or deputy commissioner of the Department  
13 of Marine Resources may elect to contribute as a  
14 member or have pick-up contributions made by the  
15 employer under section 17701, rather than under this  
16 section, if he files by filing a written copy of  
17 the election of his choice with the board.

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

20 A forest ranger in the Bureau of Forestry,  
21 Department of Conservation, who was first employed in  
22 that capacity before September 1, 1984, shall  
23 contribute to the retirement system or have pick-up  
24 contributions made by the employer as follows:

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

27 §17712. Maine State Prison employees

28 1. Before September 1, 1984. An employee of the  
29 Maine State Prison who holds a position described in  
30 section 17851, subsection 11, and who was first  
31 employed in one of those capacities before September  
32 1, 1984, shall contribute to the retirement system or  
33 have pick-up contributions made by the employer as  
34 follows:

35 A. At a rate of 7.5% of earnable compensation  
36 until ~~he~~ the employee has met the eligibility

1 requirements for retirement under section 17851,  
2 subsection 11, paragraph A; and

3 B. After meeting the eligibility requirements for  
4 retirement, at a rate of 6.5% of earnable  
5 compensation for the remainder of his  
6 employment in one or more of those capacities.

7 2. After August 31, 1984. An employee of the  
8 Maine State Prison who was first employed after August  
9 31, 1984, in a position described in section 17851,  
10 subsection 11, shall contribute to the retirement  
11 system or have pick-up contributions made by the  
12 employer as follows:

13 A. At a rate of 7.5% of earnable compensation  
14 until he the employee has completed 25 years of  
15 creditable service in one or more of those  
16 capacities; and

17 B. After completing the service described in  
18 paragraph A, at a rate of 6.5% of earnable  
19 compensation for the remainder of his  
20 employment in one or more of those capacities.

21 Sec. 25. 5 MRSA §17801, as enacted by PL 1985,  
22 c. 801, §§5 and 7, is amended to read:

23 §17801. Amendment not to cause reduction in benefit

24 No amendment to this Part may cause any reduction  
25 in the amount of benefits which would be due to a  
26 member based on creditable service, earnable  
27 compensation, employee contributions, pick-up  
28 contributions and the provisions of this Part on the  
29 date immediately preceding the effective date of the  
30 amendment.

31 Sec. 26. 5 MRSA §17851, sub-§7, ¶B, as enacted  
32 by PL 1985, c. 801, §§5 and 7, is amended to read:

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

1           **Sec. 27.**    5 MRSA §17855, sub-§3, ¶A, as enacted  
2 by PL 1985, c. 801, §§5 and 7, is amended to read:

3           A. The person shall again become a member of the  
4 retirement system and shall begin contributing or  
5 having pick-up contributions made by the employer  
6 at the current rate; and

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

9           D. A person who elects not to join the retirement  
10 system under paragraph B or C at the beginning  
11 of ~~his~~ employment may at any time apply for and  
12 be admitted to membership.

13                   (1) A person who joins the retirement system  
14 under this subsection may not pay  
15 contributions or have pick-up contributions  
16 made on or receive any service credit for the  
17 period during which he the person elected  
18 not to be a member of the retirement system.

19                   (2) Membership service credit for persons  
20 joining the retirement system under this  
21 subsection shall begin as of the effective  
22 date of first contributions or pick-up  
23 contributions to the retirement system.

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

26           **Sec. 29.**    5 MRSA §18252, sub-§§2 and 3, as  
27 enacted by PL 1985, c. 801, §§5 and 7, are amended to  
28 read:

29           2. Employee who is a participating member. An  
30 employee who is a participating member of the  
31 retirement system and who wishes to withdraw from the  
32 system may, at his the employee's discretion,  
33 withdraw his accumulated contributions in  
34 accordance with the procedures in section 18306.

35           3. Employee who has previously withdrawn. An

1 employee who has previously withdrawn from the  
2 retirement system may choose to rejoin the system  
3 within 3 years of his withdrawal under the  
4 following conditions.

5 A. He The employee must repay to the  
6 retirement system an amount equivalent to the  
7 withdrawn accumulated contributions plus the  
8 amount of interest which would be required of any  
9 terminated employee who had become reemployed and  
10 had elected to rejoin the retirement system and to  
11 repay his the contributions.

12 B. The employer must still be a participating  
13 local district allowing new membership in the  
14 retirement system.

15 C. The right to rejoin is limited to one  
16 occurrence.

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

20 1. Employee who withdraws accumulated  
21 contributions. An employee of the district who  
22 withdraws his accumulated contributions may not be  
23 a member of the retirement system as an employee of  
24 that district.

25 4. Former employee who has not withdrawn  
26 accumulated contributions. For a former employee who  
27 has not withdrawn his accumulated contributions  
28 from the retirement system, the district shall  
29 continue to be a participating local district and that  
30 person shall be subject to this Part.

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

33 1. Withdrawal. Withdraws his accumulated  
34 contributions;

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

1           A. Any employee entering a class of service in  
2           the Armed Forces of the United States approved by  
3           resolution of the board, if the employee does not  
4           withdraw his accumulated contributions; and

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

7           §18301. Member contribution

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

12          1. Employer pick-up. The contributions required  
13          to be made on behalf of a member under this section  
14          shall, after the effective date of this section, be  
15          picked up by the employer in lieu of contributions by  
16          the employee with a reduction of the member's salary  
17          consistent with section 17001, subsection 28-A.

18          2. No employee option. The employee may not  
19          choose to receive pick-up contribution amounts  
20          directly instead of having them paid by the employer  
21          to the system.

22          3. Treatment of pick-up contributions. Pick-up  
23          contributions shall be treated as follows.

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

29          B. For all other purposes, pick-up contributions  
30          shall be treated in the same manner and to the  
31          same extent as member contributions were treated  
32          before the effective date of this section.

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



1 A. The contributions and pick-up contributions  
2 computed under sections 18301 and 18302;

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

5 3. Amount of payment. The amount of payment must  
6 be equal to the contributions that the member would  
7 have paid or had picked up by the employer had he  
8 the member been a member during the entire period from  
9 the date of first employment to the date of becoming a  
10 member plus interest at a rate, to be set by the  
11 board, not to exceed regular interest by 5 or more  
12 percentage points. Interest shall be computed  
13 beginning the end of the year when those contributions  
14 or pick-up contributions would have been made or  
15 beginning July 1, 1957, whichever is later, to the  
16 date of payment.

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

19 §18306. Refund of accumulated contributions

20 If the service of any member has terminated,  
21 except by death or retirement under this Part, or if  
22 an employee of a district which withdraws from  
23 participation under section 18203 wishes to have  
24 his accumulated contributions refunded, the member or  
25 employee shall be paid the amount of his  
26 accumulated contributions under the following  
27 conditions.

28 1. Ten or more years of service. If the member  
29 has 10 or more years of creditable service at the  
30 time he terminates service service is terminated,  
31 he the member must have properly applied for a refund  
32 of accumulated contributions. Refunds of accumulated  
33 contributions are governed as follows.

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

1 B. An application for refund is void if the  
2 member filing the application returns to service  
3 before issuance of the payment.

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

7 2. Less than 10 years of service. If the member  
8 has less than 10 years of creditable service at the  
9 time he terminates service service is terminated,  
10 refunds of accumulated contributions are governed as  
11 follows+.

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

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

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

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

26 E. The member must have properly applied for a  
27 refund of accumulated contributions, provided that  
28 rules adopted by the board may provide for an  
29 automatic refund of contributions if the member  
30 has not properly applied for a refund and the  
31 amount of accumulated contributions is less than  
32 \$650.

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

35 §18307. Inactive accounts

1 Any member account in the retirement system which  
2 has been inactive for 10 or more years and which has a  
3 balance of accumulated contributions under \$100 may be  
4 transferred by the executive director to the  
5 Retirement Allowance Fund.

6 1. Restoration to service. Any former member who  
7 is restored to service may have any accumulated  
8 contributions and interest transferred under this  
9 section restored to that member's credit.

10 2. Refunds. Any former member who applies for a  
11 refund of accumulated contributions and interest  
12 transferred under this section shall be paid that  
13 refund in accordance with section 18306.

14 **Sec. 38.** 5 MRSAs §18309, sub-§1, as amended by  
15 PL 1987, c. 256, §26, is further amended to read:

16 1. Contribution rate. Except as provided in  
17 subsection 2, each fire fighter, including the chief  
18 of a fire department, employed by a participating  
19 local district which provides a special retirement  
20 benefit under section 18453, subsection 4 or 5, shall  
21 contribute to the retirement system or have pick-up  
22 contributions made by the employer at a rate of 8% of  
23 earnable compensation so as long as he is  
24 employed as a fire fighter.

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

27 1. Contribution rate. Except as provided in  
28 subsection 2, each police officer, including the chief  
29 of a police department, employed by a participating  
30 local district which provides a special retirement  
31 benefit under section 18453, subsection 7 or 8, shall  
32 contribute to the retirement system or have pick-up  
33 contributions made by the employer at a rate of 8% of  
34 earnable compensation so as long as he is  
35 employed as a police officer.

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

1 B. Service credit for all membership service for  
2 which contributions are paid into the retirement  
3 system by the member or picked up by the employer.

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

7 A. May not pay contributions or have pick-up  
8 contributions made by the employer on or receive  
9 any service credit for the period during which  
10 he the person elected not to be a member of the  
11 retirement system; and

12 B. Begins to accrue membership service credit on  
13 the effective date of first contributions or  
14 pick-up contributions to the retirement system.

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

17 §18401. Amendment not to cause reduction in benefit

18 No amendment to this Part may cause any reduction  
19 in the amount of benefits which would be due to a  
20 member based on creditable service, earnable  
21 compensation, employee contributions, pick-up  
22 contributions and the provisions of this Part on the  
23 date immediately preceding the effective date of the  
24 amendment.

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

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

31 Sec. 44. 36 MRSA §5122, sub-§1, as amended by PL  
32 1987, c. 504, §9, is further amended to read:

33 1. Additions. Federal adjusted gross income shall  
34 be increased by:

- 1 A. Interest or dividends on obligations or  
2 securities of any state or of a political  
3 subdivision or authority thereof (other than this  
4 State and its political subdivisions and  
5 authorities);
- 6 B. Interest or dividends on obligations of any  
7 authority, commission, instrumentality, territory  
8 or possession of the United States which by the  
9 laws of the United States are exempt from federal  
10 income tax but not from state income tax;
- 11 D. The amount of any net operating loss in the  
12 taxable year which has been carried back to  
13 previous years pursuant to the United States  
14 Internal Revenue Code, Section 172;
- 15 E. The amount of any deduction claimed for the  
16 taxable year under the United States Internal  
17 Revenue Code, Section 172 which has previously  
18 been used to offset the modifications provided by  
19 this subsection; and
- 20 F. For a taxable year ending in 1984, the sum of  
21 the following portions of the deductions allowed  
22 for that taxable year to the taxpayer under the  
23 United States Internal Revenue Code, Section 168:
- 24 (1) 2.5% of the deductions for 3-year  
25 property;
- 26 (2) 7.5% of the deductions for 5-year  
27 property;
- 28 (3) 12.5% of the deductions for 10-year  
29 property; and
- 30 (4) 20% of the deductions for 15-year  
31 property; and
- 32 G. Pick-up contributions paid by the employer to  
33 the Maine State Retirement System as defined in  
34 Title 5, section 17001, subsection 28-A.

1       **Sec. 45. Effective date.** Since this Act is  
 2 contingent upon approval of the employer pick-up plan  
 3 of the Maine State Retirement System by the Internal  
 4 Revenue Service under the United States Code, Title  
 5 26, Section 414(h)(2), the provisions of this Act  
 6 shall become effective as of the date of approval of  
 7 the pick-up plan by the Internal Revenue Service. The  
 8 Maine State Retirement System shall put the pick-up  
 9 plan into operation within a reasonable period of time  
 10 after approval by the Internal Revenue Service. If  
 11 the employer pick-up plan is not approved by the  
 12 Internal Revenue Service, this Act shall be null, void  
 13 and of no effect.

14       **Sec. 46. Changes in option.** Persons whose  
 15 membership in the Maine State Retirement System is  
 16 optional under the Maine Revised Statutes, Title 5,  
 17 section 17652 shall have 60 days after the  
 18 implementation of the pick-up plan to change their  
 19 option under Public Law 1981, chapter 453. The Maine  
 20 State Retirement System with assistance from the  
 21 Department of Administration shall provide notice to  
 22 these employees. New employees whose membership is  
 23 optional shall continue to exercise their option at  
 24 the time of appointment.

25       Legislative employees who chose an option  
 26 providing for state payment of the members'  
 27 contribution to the Maine State Retirement System  
 28 under an option provided by the Legislative Council  
 29 pursuant to the authority granted under Public Law  
 30 1981, chapter 700 shall have 60 days after  
 31 implementation of the pick-up plan to change their  
 32 option. This enables them to participate in the  
 33 pick-up plan on an equal basis with other similarly  
 34 situated legislative employees who did not choose the  
 35 option providing for state payment of the members'  
 36 contributions pursuant to Public Law 1981, chapter 700.

37

**STATEMENT OF FACT**

38       This new draft is a vehicle for making the  
 39 contributions made by members of the Maine State

1 Retirement System tax-sheltered. Members who are now  
2 making contributions will continue to do so; however,  
3 the amount of the employees' contributions to the  
4 retirement system would not be taxable at the time  
5 earned. This means that a member of the retirement  
6 system whose entire membership was during the time  
7 that the employer pick-up was in effect would pay  
8 income tax on all of his retirement benefit when he  
9 retires. Approval of this plan by the United States  
10 Internal Revenue Service must be received before the  
11 plan may go into effect.

12

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