

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 525

H.P. 394

House of Representatives, March 1, 1989

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

Ed Pert

EDWIN H. PERT, Clerk

Presented by Representative HICKEY of Augusta.

Cosponsored by Senator TITCOMB of Cumberland, Representative JALBERT of Lisbon and Representative RICHARD of Madison.

STATE OF MAINE

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

**An Act to Facilitate Conversion of the Maine State Retirement System
Records to an Automated System.**



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

3 Sec. 1. 5 MRSA §17156, as enacted by PL 1985, c. 801, §§5 and
7, is amended to read:

5 §17156. Rate of interest
7

9 The board shall, from time to time, by order, set the rate
of regular interest at a percent rate compounded annually
11 periodically determined by the board to be equitable, both to
members and to the taxpayers of the State.

13 Sec. 2. 5 MRSA §17157, sub-§§1 and 2, as enacted by PL 1985, c.
801, §§5 and 7, are amended to read:

15 1. Transfer to Members' Contribution Fund. The board shall
17 periodically allow annually regular interest on the individual
accounts of members in the Members' Contribution Fund and shall
19 transfer those amounts from the Retirement Allowance Fund to the
Members' Contribution Fund.

21 2. Transfer to Survivors' Benefit Fund. The board shall
23 periodically allow annually regular interest on the mean amount
accumulated in the Survivors' Benefit Fund and shall transfer
25 that amount of interest from the Retirement Allowance Fund to the
Survivors' Benefit Fund.

27 Sec. 3. 5 MRSA §17203, sub-§1, ¶¶A to C are enacted to read:

29 A. Amounts deducted from the compensation of state
31 employees shall be credited to the retirement system in the
33 same manner and at the same time that employer charges are
35 credited to the retirement system as provided by section
17154, subsection 5.

37 B. Amounts deducted from the compensation of teachers shall
39 be paid to the retirement system by the chief administrative
41 officer of each school administrative unit monthly in
43 accordance with rules of the board. Delinquent payments due
45 under this paragraph:

47 (1) May be subject to interest at a rate, to be set by
49 the board and paid by the school administrative unit,
51 not to exceed regular interest by 5 or more percentage
points;

(2) May be recovered by action in a court of competent
jurisdiction against the school administrative unit; or

(3) May, at the request of the retirement system, be
deducted from any other money payable to that school
administrative unit.

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2 C. Payment of members' contributions to the retirement
3 system by participating local districts is governed by
4 sections 18301 to 18303.

5 **Sec. 4. 5 MRSA §17204, sub-§3** is enacted to read:
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7 3. Limitation. This section shall not be applicable to any
8 member who has not begun increased contributions under this
9 section before January 1, 1990.

10 **Sec. 5. 5 MRSA §17804, first ¶,** as repealed and replaced by PL
11 1987, c. 256, §8, is amended to read:
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13 Payment Except as provided in subsection 6, payment of a
14 service retirement benefit shall begin on the first day of the
15 month following the month in which the qualifying member becomes
16 eligible to receive payment of his the member's service
17 retirement benefit under section 17851 or 17907. A full month's
18 benefit shall be paid to the beneficiary or estate of the
19 recipient for the month in which he the member dies. A
20 qualifying member may select payment in one of the following
21 methods.
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23 **Sec. 6. 5 MRSA §17804, sub-§6** is enacted to read:
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25 6. Monthly payment of \$10 or less. If the monthly benefit
26 payable to a qualifying member or the beneficiary of a qualifying
27 member is \$10 or less, there shall be paid, in lieu of those
28 payments, a lump sum which is the actuarial equivalent, on the
29 date the first monthly payment would otherwise be paid, of the
30 benefit to which the qualifying member or beneficiary is
31 entitled. A beneficiary who receives a lump sum payment under
32 this subsection shall not forfeit any other benefit to which the
33 beneficiary would be entitled if the beneficiary were receiving a
34 monthly benefit payment.
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36 **Sec. 7. 5 MRSA §18404, first ¶,** as amended by PL 1987, c. 256,
37 §31, is further amended to read:
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39 Payment Except as provided in subsection 6, payment of a
40 service retirement benefit shall begin on the first day of the
41 month following the month in which the qualifying member becomes
42 eligible to receive payment of his the member's service
43 retirement benefit under section 18451 or 18507. A full month's
44 benefit shall be paid to the beneficiary or estate of the
45 recipient for the month in which he the member dies. A
46 qualifying member may select payments in one of the following
47 methods.
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49 **Sec. 8. 5 MRSA §18404, sub-§6** is enacted to read:
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51 6. Monthly payment of \$10 or less. If the monthly benefit
52 payable to a qualifying member or the beneficiary of a qualifying
53 member is \$10 or less, there shall be paid, in lieu of those
54 payments, a lump sum which is the actuarial equivalent, on the
55 date the first monthly payment would otherwise be paid, of the
56 benefit to which the qualifying member or beneficiary is
57 entitled. A beneficiary who receives a lump sum payment under
58 this subsection shall not forfeit any other benefit to which the
59 beneficiary would be entitled if the beneficiary were receiving a
60 monthly benefit payment.

1 payments, a lump sum which is the actuarial equivalent, on the
2 date the first monthly payment would otherwise be paid, of the
3 benefit to which the qualifying member or beneficiary is
4 entitled. A beneficiary who receives a lump sum payment under
5 this subsection shall not forfeit any other benefit to which the
6 beneficiary would be entitled if the beneficiary were receiving a
7 monthly benefit payment.

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STATEMENT OF FACT

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As stated in the title, the purpose of this bill is to facilitate the conversion of the records of the Maine State Retirement System, or MSRS, from a manual system to an automated system. Approximately 2/3 of the MSRS member earnings and contributions records are maintained on a manual system. The automated system on which the other 1/3 is maintained is over 10 years old and needs to be updated. The first 2 sections of the bill are to change the granting and compounding of interest on members' accounts from an annual basis to a periodic basis. With the records on an automated system, the calculating and granting of interest can easily be done each time an entry is made in the member's account.

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Section 3 of this bill provides the manner in which employers, i.e. the state, school administrative units and participating local districts, transfer to the Maine State Retirement System the contributions which have been withheld from the compensation of employees. The bill includes a series of procedures that the retirement system may use to pursue the collection of delinquent contributions from school administrative units which are similar to procedures now in the laws with relation to participating local districts.

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Section 4 discontinues the provision which permits members to contribute additional amounts to their accounts to be used to buy additional retirement benefits. This practice complicates the efforts to automate members' earnings and contributions records and has been replaced to a great extent by tax sheltered annuity and deferred compensation plans available to members of the system.

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Sections 5 to 8 provide for the payment of a single lump sum amount that is the actuarial equivalent of a monthly benefit when the monthly benefit is \$10 or less.