

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1935

S.P. 743

In Senate, June 10, 1991

Reported by the Majority for the Committee on Aging, Retirement and Veterans pursuant to Joint Order S.P. 681.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

STATE OF MAINE

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

An Act to Change the State Payment for Health Insurance Benefits for New State Employees with Less than 10 Years of Service and Provide for a Study of Retirement Benefits Provided to New Employees.

(EMERGENCY)



2 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

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6 Whereas, changes in the Maine State Retirement System have
been suggested as a means of reducing expenditures; and

8 Whereas, changes should not be made without the opportunity
for study and identification of the implications of the proposed
10 changes; and

12 Whereas, the study must be completed in time to provide
useful information to the Legislature; and

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16 Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
18 Maine and require the following legislation as immediately
necessary for the preservation of the public peace, health and
safety; now, therefore,

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

24 **Sec. 1. 5 MRSA §285, sub-§8, as amended by PL 1989, c. 776,**
§1, is further amended to read:

26 **8. Payment by Maine State Retirement System for persons who**
retire before July 1, 1991. The For persons who were first
28 employed before July 1, 1991, the Maine State Retirement System
shall pay 100% of only the retiree's share of the premiums for
30 this health plan for persons who were previously eligible for
this health plan pursuant to subsection 1, paragraph A and who
32 have subsequently become eligible pursuant to subsection 1,
paragraph G.

34 **Sec. 2. 5 MRSA §285, sub-§8-A is enacted to read:**

36 **8-A. Payment by Maine State Retirement System for persons**
38 employed after July 1, 1991. For persons who were first employed
by the State after July 1, 1991, the Maine State Retirement
40 System shall pay a pro rata portion of only the retiree's share
of the premiums, as described in this section, for this health
42 plan for persons who were previously eligible for this health
plan pursuant to subsection 1, paragraph A and who have
44 subsequently become eligible pursuant to subsection 1, paragraph
G based on the total number of years of participation in the
46 group health plan prior to retirement as follows.

| 48 <u>Years of Participation</u> | <u>State Portion</u> |
|-----------------------------------|---------------------------------------|
| 50 <u>10 or more years</u> | <u>100% group health plan premium</u> |
| <u>9 but less than 10 years</u> | <u>90% group health plan premium</u> |
| 52 <u>8 but less than 9 years</u> | <u>80% group health plan premium</u> |

| | | |
|---|--------------------------------|--------------------------------------|
| 2 | <u>7 but less than 8 years</u> | <u>70% group health plan premium</u> |
| | <u>6 but less than 7 years</u> | <u>60% group health plan premium</u> |
| | <u>5 but less than 6 years</u> | <u>50% group health plan premium</u> |
| 4 | <u>Less than 5 years</u> | <u>No contribution</u> |

6 **Sec. 3. Study.** The Commission to Study the Retirement
 Benefits Provided by the State, referred to in this section as
 8 the "commission," is established.

10 1. The commission consists of the following 10 members:

12 A. Three Legislators appointed jointly by the President of
 the Senate and the Speaker of the House of Representatives;

14 B. Three members appointed jointly by the President of the
 16 Senate and the Speaker of the House of Representatives from
 nominations submitted by labor organizations representing
 18 state employees and teachers;

20 C. Three members appointed by the Governor; and

22 D. The Executive Director of the Maine State Retirement
 System or the executive director's designee.

24 2. All appointments must be made no later than 30 days
 26 following the effective date of this Act. The Executive Director
 of the Legislative Council must be notified by all appointing
 28 authorities once the selections have been made. The Chair of the
 Legislative Council shall call the first meeting of the
 30 commission. The commission shall select a chair from its
 membership.

32 3. The commission shall undertake a study of the benefits
 34 that will be provided to state employees and teachers who are new
 to the Maine State Retirement System, the Maine Judicial
 36 Retirement System or the Maine Legislative Retirement System. As
 part of the study the commission shall:

38 A. Identify current benefits provided by the retirement
 40 systems and the associated costs of each benefit;

42 B. Review recent studies of the retirement systems;

44 C. Determine whether the State offers retirement benefits
 that will meet the needs of the future work force, taking
 46 into account expected demographic changes and reviewing the
 effect of these changes on the financial integrity of the
 48 systems;

50 D. Determine whether the State offers retirement benefits
 as part of the total compensation package that encourage
 52 qualified persons to seek and continue in public employment

2 in furtherance of the legislative intent expressed in the
Maine Revised Statutes, Title 5, section 17050; and

4 E. Identify a range of alternative retirement package
options and analyze the current retirement package and each
6 option to determine:

8 (1) The extent to which each alternative reflects the
legislative intent in Title 5, section 17050;

10 (2) The impact of each alternative on the financial
12 integrity of the retirement systems;

14 (3) The impact of each alternative on the State
Treasury;

16 (4) The extent to which each alternative takes into
18 consideration future demographic changes; and

20 (5) How the reductions and enhancements to benefits of
each of the alternatives affect the balance of the
22 current benefits available under the retirement systems
provided by the State.

24 4. The commission shall coordinate its efforts with any
26 other commissions studying aspects of retirement benefits
provided by the State.

28 5. The commission shall submit its findings to the Second
30 Regular Session of the 115th Legislature by December 1, 1991.

32 6. The Maine State Retirement System staff shall provide
any necessary staff assistance for the commission and the
34 retirement system's actuaries shall furnish actuarial services to
the commission under their contract with the retirement system up
36 to a value of \$20,000. Other state agencies shall provide
information requested by the commission.

38 7. The legislative members of the commission are entitled
40 to the legislative per diem and expenses, as provided in the
Maine Revised Statutes, Title 3, section 2, for each day's
42 attendance at commission meetings. The cost of per diems and
expenses must be covered by the Maine State Retirement System.

44 8. The Joint Standing Committee on Aging, Retirement and
46 Veterans shall review the report of the commission and may report
legislation to implement the results of its review to the Second
48 Regular Session of the 115th Legislature.

50 **Emergency clause.** In view of the emergency cited in the
preamble, this Act takes effect when approved.

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FISCAL NOTE

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The study of alternatives will cost the Maine State Retirement System approximately \$25,000 in fiscal year 1991-92 for actuarial services, per diem and expenses for legislative members of the commission and for other miscellaneous commission expenses. This one-time cost will not appreciably affect future employer contribution rates for state employees and teachers.

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This bill also reduces the share paid by the State for group health insurance premiums for retirees who were first employed by the State after July 1, 1991 and who work for the State for less than 10 years. This provision will result in some future savings. The initial savings will be insignificant but will increase over time.

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STATEMENT OF FACT

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This bill is the Majority Report of the Joint Standing Committee on Aging, Retirement and Veterans. The bill reduces the share paid by the State for group health insurance premiums for retirees who were first employed by the State after July 1, 1991 and who work for the State for less than 10 years before retiring. The amount of the reduction is based on the number of years that the retiree worked for the State. The bill also provides for a study of alternative retirement benefits that could be provided to new state employees.

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