

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1993

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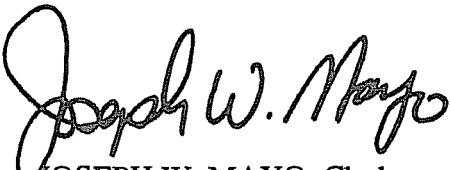
H.P. 871

House of Representatives, April 5, 1993

**An Act to Amend the Group Life Insurance Laws Administered by the  
Maine State Retirement System.**

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Submitted by the Maine State Retirement System pursuant to Joint Rule 24.  
Reference to the Committee on Aging, Retirement and Veterans suggested and ordered  
printed.

  
JOSEPH W. MAYO, Clerk

Presented by Representative VIGUE of Winslow.

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

2  
4       **Sec. 1. 5 MRSA §17001, sub-§3-A,** as amended by PL 1991, c. 480, §1, is further amended to read:

6       **3-A. Annual base compensation.** "Annual base compensation" means a member's gross compensation, based upon amounts reported by the member's employer on the member's previous year's federal wage and tax statement, that is used the first day of each April for setting the amount of coverage prior to retirement for participants in the group life insurance program administered by the board.

14       **Sec. 2. 5 MRSA §17054, sub-§3,** as amended by PL 1991, c. 746, §7 and affected by §10, is further amended to read:

16       **3. Recovery of overpayments by the retirement system.** Any amounts due the retirement system as the result of overpayment or erroneous payment of benefits ~~or~~ an excess refund of contributions or overpayment or erroneous payment of life insurance benefits may be recovered from an individual's contributions ~~or~~ any benefits or life insurance benefits payable under this Part to the individual or the beneficiary of the individual or any combination of contributions and benefits. If the overpayment or excess refund of contributions resulted from an unintentional mistake by an employee of the retirement system, the retiree or the recipient of the benefit or life insurance benefit, no interest may be collected by the retirement system on the amount to be recovered. The executive director may also take action to recover those amounts due from any amounts payable to the individual by any other state agency or by an action in a court of competent jurisdiction. Whenever the executive director makes a decision to recover any amounts under this subsection, that decision is subject to appeal under section 17451; and

36       **Sec. 3. 5 MRSA §18058, sub-§1,** as amended by PL 1991, c. 480, §6, is further amended to read:

38       **1. Employees automatically insured.** All employees eligible for basic insurance under this subchapter are automatically insured for the amounts of basic coverage applicable under this subchapter, beginning on the date ~~they first become~~ first day of the month following one month of employment after the employee becomes eligible. Each employee shall complete an application for insurance coverage within 31 days of becoming eligible.

46       A. The employee shall indicate the types of coverage elected.

50       B. If an application is completed in a timely manner, any coverage in addition to basic becomes effective on the first day of the month following one month of employment after the employee becomes eligible.

2 C. If an application is not completed within 31 days of the  
4 employee's first becoming eligible, the employee may  
6 subsequently apply for supplemental and dependent insurance  
8 but must produce evidence of insurability at the employee's  
own expense and in accordance with the requirements of the  
insurance underwriter.

10 **Sec. 4. 5 MRSA §18061, sub-§2, ¶¶A and B, as amended by PL**  
1991, c. 480, §7, are further amended to read:

12 A. On retirement for reasons other than disability, the  
14 average an amount of basic life insurance in force for the  
last 3 years prior to retirement equal to the employee's  
16 average final compensation must be continued in force at no  
18 cost to the participant, if the employee has participated in  
the group life insurance program for a minimum of 10 years.  
20 ~~For the purpose of determining the average amount of basic~~  
~~insurance in force, there must be excluded from the amount~~  
~~of basic coverage in force during the last 3 years prior to~~  
22 ~~retirement that portion of basic coverage that exceeds the~~  
~~previous year's coverage by 10%.~~

24 (1) Except as provided in paragraph B, the average  
26 initial amount of basic life insurance that continued  
into retirement must be reduced at the rate of 15% per  
28 year to a minimum of 40% of the average initial amount  
of basic life insurance that continued into retirement  
or \$2,500, whichever is greater.

30 (2) In determining benefits under this subchapter, the  
32 reductions become effective at 12:01 a.m. of the day  
34 following the first year anniversary of the date of  
retirement and each succeeding retirement anniversary  
36 thereafter until the minimum has been reached.

38 B. The reduction set out in paragraph A, subparagraph (1)  
40 does not apply to any Justice of the Supreme Judicial Court  
or Superior Court, to any Judge of the District Court or  
Administrative Court, nor to any retired justice or judge  
42 who was insured and who was living on September 14, 1979.

44 (1) The average initial amount of basic life insurance  
~~referred to in this subsection~~ that continued into  
46 retirement for any justice or judge must be continued  
in force at no cost to the justice or judge until the  
48 justice or judge reaches 70 years of age.

50 (2) When a justice or judge reaches 70 years of age,  
the amount of insurance in force ~~becomes~~ must be  
52 reduced to 25% of the average initial amount of basic  
life insurance that continued into retirement. This

2                   reduction becomes effective at 12:01 a.m. of the day  
3                   following the date on which the justice or judge  
4                   reaches 70 years of age.

6                   **Sec. 5. 5 MRSA §18062 is enacted to read:**

8                   **§18062. Forms; notice; time requirements**

10                   **1. Definitions.** As used in this section, unless the  
11                   context otherwise indicates, the following terms have the  
12                   following meanings.

14                   **A. "Employer" means, in the case of an employee who is a**  
15                   **state employee, the state agency by whom the employee is**  
16                   **employed and, in the case of an employee who is a teacher,**  
17                   **the school administrative unit by which the employee is**  
18                   **employed.**

20                   **2. Employer responsibilities.** In the implementation of  
21                   this subchapter, each employer is responsible for providing its  
22                   employees with all necessary forms, including, but not limited  
23                   to, application forms for basic, supplemental and dependent  
24                   coverage and forms for reduction of coverage and cancellation of  
25                   coverage; for receiving completed forms from its employees; and  
26                   for transmitting forms to the retirement system. When  
27                   continuation, temporary extension or conversion of coverage  
28                   depends on timely action by an employee, the employer is  
29                   responsible for giving the employee notice of the employee's  
30                   rights and duties with respect to continuation, temporary  
31                   extension or conversion, for receiving the employee's response to  
32                   the notice and for timely transmittal of the response to the  
33                   retirement system. The employer must maintain records  
34                   documenting the provision, receipt and transmittal of forms and  
35                   notices under this section.

36                   **3. Retirement system responsibilities.** In the  
37                   implementation of this subchapter, the retirement system is  
38                   responsible for providing employers with necessary forms and  
39                   related information and instructions and for informing employers  
40                   of applicable time limits when employees' rights to continuation,  
41                   temporary extension or conversion depend on timely notice and  
42                   response. The retirement system is not liable to employees for  
43                   an employer's failure to provide, receive or transmit forms, to  
44                   provide timely notice or to transmit an employee's response to  
45                   notice in a timely manner.

46                   **Sec. 6. 5 MRSA §18658, sub-§1, as amended by PL 1991, c. 480,**  
47                   **§11, is further amended to read:**

49                   **1. Employees automatically insured.** All employees eligible  
50                   for basic insurance under this subchapter are automatically  
51                   insured for the amounts of basic coverage applicable under this  
52                   subchapter, beginning on the date-~~they~~ first become day of the

2 month following one month of employment after the employee  
3 becomes eligible. Each employee shall complete an application  
4 for insurance coverage within 31 days of becoming eligible.

6 A. The employee shall indicate the types of coverage  
7 elected.

8 B. If an application is completed in a timely manner, any  
9 coverage in addition to basic becomes effective on the first  
10 day of the month following one month of employment after the  
11 employee becomes eligible.

12 C. If an application is not completed within 31 days of the  
13 employee's first becoming eligible, the employee may  
14 subsequently apply for supplemental and dependent insurance  
15 but must produce evidence of insurability at the employee's  
16 own expense and in accordance with the requirements of the  
17 insurance underwriter.

18  
19 **Sec. 7. 5 MRSA §18661, sub-§2, ¶A,** as amended by PL 1991, c.  
20 480, §12, is further amended to read:

21  
22 A. On retirement for reasons other than disability, the  
23 average an amount of basic life insurance in-force-for-the  
24 last-3-years-prior-to-retirement equal to the employee's  
25 average final compensation must be continued in force at no  
26 cost to the participant, if the participant has participated  
27 in the group life insurance program for a minimum of 10  
28 years. ~~For-the-purpose-of-determining-the-average-amount-of~~  
29 ~~basic-insurance-in-force,--there-must-be-excluded-from-the~~  
30 ~~amount-of-basic-coverage-in-force-during-the-last-3-years~~  
31 ~~prior-to-retirement-that--portion-of--basic-coverage--that~~  
32 ~~exceeds-the-previous-year's-coverage-by-10%.~~

33  
34 (1) Except as provided in paragraph B, the average  
35 initial amount of basic life insurance that continued  
36 into retirement must be reduced at the rate of 15% a  
37 year to a minimum of 40% of the average initial amount  
38 of basic life insurance that continued into retirement  
39 or \$2,500, whichever is greater.

40  
41 (2) In determining benefits under this subchapter, the  
42 reductions become effective at 12:01 a.m. of the day  
43 following the first year anniversary of the date of  
44 retirement and each succeeding retirement anniversary  
45 thereafter until the minimum has been reached.

46  
47 **Sec. 8. 5 MRSA §18661-A** is enacted to read:

48  
49 **§18661-A. Forms; notice; time requirements**

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Employer" means the participating local district by whom the employee is employed.

2. Employer responsibilities. In the implementation of this subchapter, each employer is responsible for providing its employees with all necessary forms, including, but not limited to, application forms for basic, supplemental and dependent coverage and forms for reduction of coverage and cancellation of coverage; for receiving completed forms from its employees; and for transmitting forms to the retirement system. When continuation, temporary extension or conversion of coverage depends on timely action by an employee, the employer is responsible for giving the employee notice of the employee's rights and duties with respect to continuation, temporary extension or conversion, for receiving the employee's response to the notice and for timely transmittal of the response to the retirement system. The employer must maintain records documenting the provision, receipt and transmittal of forms and notices under this section.

3. Retirement system responsibilities. In the implementation of this subchapter, the retirement system is responsible for providing employers with necessary forms and related information and instructions and for informing employers of applicable time limits when employees' rights to continuation, temporary extension or conversion depend on timely notice and response. The retirement system is not liable to employees for an employer's failure to provide, receive or transmit forms, to provide timely notice or to transmit an employee's response to notice in a timely manner.

### STATEMENT OF FACT

This bill makes the following changes to the laws governing the group life insurance administered by the Maine State Retirement System.

1. It makes clear that annual base compensation is used as a basis for establishing the amount of group life coverage for a participant prior to retirement only. This clarification is needed because of the new method of setting life insurance coverage that a participant carries into retirement, which is established elsewhere in the bill.

2. It provides for the inclusion of payment of life insurance benefits from the group life insurance program

2 administered by the Maine State Retirement System in the recently  
3 enacted provision governing recovery of overpayment by the  
4 retirement system.

6 3. It changes the effective date of basic coverage under  
7 the group life insurance laws. Under present law, basic coverage  
8 becomes effective on the date of hire; supplemental and dependent  
9 coverage become effective on the first day of the month following  
10 one month of employment. The difference in effective dates  
11 creates record keeping problems for state, school district and  
12 participating local district payroll clerks and for the  
13 retirement system. Under the bill, the effective date for all  
14 coverage is the first day of the month following one month of  
15 employment.

16 4. It simplifies the determination of the amount of basic  
17 life insurance an employee takes into retirement at no cost to  
18 the employee. Under this bill, the system establishes the life  
19 insurance coverage into retirement to equal an employee's average  
20 final compensation. Average final compensation is computed on  
21 every retiree in determining retirement benefits and the  
22 methodology for determining average final compensation includes a  
23 10% cap on earnable compensation. Use of average final  
24 compensation to establish both life insurance coverage and  
25 retirement benefits avoids administratively time consuming and  
26 largely duplicative calculations for the system.

28 5. It establishes employer and retirement system  
29 responsibilities with respect to group life insurance forms and  
30 notice requirements related to employees' rights and duties with  
31 respect to continuation, temporary extension and conversion of  
32 life insurance coverage.