

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

SECOND REGULAR SESSION-1994

Legislative Document

No. 1841

H.P. 1362

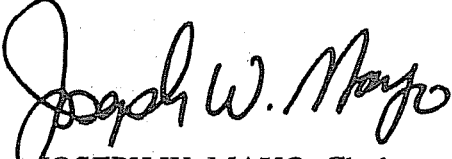
House of Representatives, February 7, 1994

An Act to Create Retirement Alternatives.

(EMERGENCY)

Reported by Representative JALBERT for the Committee to Study the Retirement System pursuant to Public Law 1993, chapter 410, Part SSS, section 1.

Reference to the Joint Standing Committee on Aging, Retirement and Veterans suggested and printing ordered under Joint Rule 20.


JOSEPH W. MAYO, Clerk

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

4
6 Whereas, the Legislature finds that improvements in the
retirement benefits offered to state employees must be made in
order to attract and retain qualified employees and address
8 specific inequities in the current plan; and

10 Whereas, the details of the improvements to be made must be
considered thoroughly and a comprehensive education and
12 implementation plan must be developed; and

14 Whereas, a group made of representatives of employees,
employers and the general public is best suited to manage this
16 transition process; and

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

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

26 **Sec. 1. Committee to Create Retirement Alternatives; creation.** The
Committee to Create Retirement Alternatives, referred to in this
28 Act as the "committee," is established. The committee consists
of 7 members appointed by the Governor subject to review by the
30 Joint Standing Committee on Aging, Retirement and Veterans and
confirmation by the Legislature. Three of the 7 members must be
32 appointed from one list provided to the Governor by the unions
representing employees participating in the Maine State
34 Retirement System. Three of the members must be appointed to
represent the perspective of the employer. The final member must
36 be appointed to represent the perspective of the public and
serves as chair. The member representing the public must have
38 previous experience with a public or private pension system or
have current working knowledge of standard pension administration
40 and management practices.

42 All appointments must be made no later than 30 days
following the effective date of this Act.

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46 The first meeting of the committee must be convened by the
Executive Director of the Legislative Council within 14 days
48 after the confirmation of the committee members. Only the member
of the committee appointed to represent the perspective of the
public is entitled to receive per diem reimbursement in the
50 amount of the legislative per diem and must be reimbursed for

2 expenses upon application to the Department of Administrative and
3 Financial Services, Bureau of Human Resources.

4 **Sec. 2. Duties and responsibilities.** The committee shall develop
5 a comprehensive plan for changing the retirement benefits
6 provided to certain state employees and teachers in accordance
7 with the recommendations of the Committee to Study the Retirement
8 System as specified in this Act. This recommended plan must be
9 presented to the Governor and the Legislature by January 1, 1996
10 for consideration during the Second Regular Session of the 117th
11 Legislature.

12 **Sec. 3. Required content of legislation.** The legislation prepared
13 by the committee must provide for at least the following.

14
15 1. Membership in the Maine State Retirement System must be
16 optional for all new employees, all part-time, seasonal and
17 temporary employees and all employees who had less than 10 years
18 of creditable service on July 1, 1993. Any employee electing not
19 to become or remain a member of the Maine State Retirement System
20 is required to participate in social security. The existing plan
21 must be modified for new hires so that regardless of a new
22 employee's age at hire, the value of the benefits earned under
23 either choice would be equivalent. The legislation must specify
24 the process by which an employee selects coverage, the time frame
25 in which that choice must be made, the consequences of the
26 individual's election and the responsibility of both the employer
27 and the Maine State Retirement System in informing the employee
28 of the options.

29
30 2. A defined contribution retirement plan to supplement
31 social security coverage must be offered for those eligible
32 employees who opt out of the Maine State Retirement System's
33 defined benefit plan. At a minimum the defined contribution plan
34 must provide for the employer matching of employee contributions
35 up to 3% of the employee's pay. The legislation must also
36 specify who is responsible for administering the plan, what range
37 of investment choices should be provided to the employee, what
38 options employees have for enrolling or changing contribution
39 rates, when the employer contribution vests and any limitations
40 on in-service withdrawals or lump-sum distributions.

41
42 3. The recommended effective date of the proposed
43 legislation must provide eligible employees a sufficient amount
44 of time to be fully educated on their options and able to make
45 informed choices based on their own particular circumstances.

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47 **Sec. 4. Required content of plan.** The plan to be presented to
48 the Legislature must include the following:
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1. All of the legislation necessary to implement the changes required by section 3 of this Act;

2. An assessment of the extent to which the recommended changes will reduce the inequities present in the current benefit structure and increase the attractiveness of available retirement options for all employees;

3. A detailed actuarial analysis on the projected costs of the changes as presented in the proposed legislation; and

4. A detailed plan and timetable for educating affected employees and new employees on the retirement benefit options presented to them.

Sec. 5. Additional legislation. The committee may also recommend legislation as permitted by this section.

1. The committee may propose making a permanent benefit design commission to provide input and advice to the Legislature on legislation affecting retirement benefits.

2. The committee may propose legislation eliminating the difference in retirement benefits depending upon years of service on July 1, 1993 as long as it is implemented in conjunction with providing employees with the alternative benefit option required by section 3 of this Act.

Sec. 6. Staff and assistance. The committee may contract for those professional services it requires to assist it, including an independent actuary. On the request of the committee, assistance must be provided by the Maine State Retirement System; the Department of Administrative and Financial Services, Bureau of Human Resources; the Department of the Attorney General; the State Planning Office; and any other agency of the Executive Department. The committee may request assistance from the Legislative Council to prepare the legislation required by this Act.

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

STATEMENT OF FACT

This bill establishes the Committee to Create Retirement Alternatives, composed of 7 members representing employers, employees and the public. The bill directs this committee to develop a comprehensive plan for changing the retirement benefits

2 provided to certain state employees and teachers in accordance
with the recommendations of the Committee to Study the Retirement
4 System. The plan must include all necessary legislation, an
actuarial analysis on the projected costs of the changes and a
6 detailed proposal and timetable for educating employees on their
options. The plan must be submitted to the Legislature by
January 1, 1996.

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14 This document has not yet been reviewed to determine the
need for cross-reference, stylistic and other technical
16 amendments to conform existing law to current drafting standards.

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