

MAINE STATE LEGISLATURE

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R&S

L.D. 1896

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AGING, RETIREMENT & VETERANS

Reported by: Senator McCormick of Kennebec

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**STATE OF MAINE
SENATE
116TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 698, L.D. 1896, Bill, "An Act to Correct the Implementation of Recent Changes to the Retirement Laws"

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting in its place the following:

'Sec. 1. 5 MRSA §17001, sub-§13, ¶C, as repealed and replaced by PL 1993, c. 410, Pt. L, §13, is amended to read:

C. Earnable compensation does not include any increase that exceeds the prior year's earnable compensation by more than 5% or that results in a total increase of more than 10% during the 3-year period used in the calculation of average final compensation unless the cost of the additional actuarial liability arising from the excess increase is paid by the employer as provided in section 17154. Any payment made under paragraph B, subparagraph (1) must be included in determining the amount of increase in the year in which the payment is made. This paragraph does not apply to excess increases resulting from compensation paid prior to July 1, 1993, from compensation paid in accordance with an individual employment contract executed prior to July 1, 1993 or collective bargaining agreement executed or ratified in its final form by final vote of one party to the agreement prior to July 1, 1993 for the initial term of that contract or agreement or from other action by the governing body of the school administrative unit in effect on July 1, 1993. In addition, this paragraph does not apply to

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2 increases in compensation for state employees received
3 during fiscal years 1993-94 and fiscal-year 1994-95.

4 Sec. 2. 5 MRSA §17154, sub-§§10 and 11, as enacted by PL 1993,
5 c. 410, Pt. L, §27, are amended to read:

6
7 10. Payment of additional actuarial costs incurred by the
8 retirement system due to early retirement incentives.
9 Notwithstanding the other provisions of this section, additional
10 actuarial and reasonable administrative costs that result from
11 the early retirement of a member offered a retirement incentive
12 by an employer must be paid by the employer that offered and
13 provided the incentive in a manner prescribed in rules adopted by
14 the board. "Early retirement" means retirement before normal
15 retirement age with a reduced retirement benefit as provided by
16 section 17852, subsection 3 or 3-A, subsection 4, paragraph C or
17 C-1 or subsection 10, paragraph C or C-1; section 17857,
18 subsection 3-A; section 18452, subsection 3; or section 18462,
19 subsection 3. For purposes of this paragraph, "employer" means,
20 in the case of a member who is a state employee, the department
21 of ~~state-government~~ State Government by which the member was last
22 employed prior to retirement; in the case of a member who is a
23 teacher, the local school administrative unit by which the member
24 was last employed prior to retirement; and in the case of a
25 member who is an employee of a participating local district, the
26 district by which the member was last employed prior to
27 retirement. An early retirement incentive that is part of a
28 collective bargaining agreement executed or ratified in its final
29 form by final vote of one party to the agreement prior to July 1,
30 1993 is not subject to this subsection for the initial term of
31 that agreement.

32
33 11. Payment of actuarial cost of excess increase in
34 earnable compensation. Notwithstanding the other provisions of
35 this section, the employer may pay to the retirement system the
36 cost of the actuarial liability resulting from any increase in
37 earnable compensation for any year within the 3-year period used
38 in determining average final compensation that exceeds the prior
39 year's earnable compensation by more than 5% or, if it would
40 result in a lesser additional actuarial liability, any increase
41 in earnable compensation over a total increase of 10% during the
42 3-year period. The retirement system shall calculate the cost of
43 the additional actuarial liability for each member when
44 calculating the retirement benefit for that member at
45 retirement. The cost must be paid in accordance with this
46 subsection.

47
48 A. For state employees, the State Controller shall
49 establish an account from which payments required by section
50 17001, subsection 13, paragraph C must be made. At the time

Ads

COMMITTEE AMENDMENT "A" to S.P. 698, L.D. 1896

2 any collective bargaining agreement is funded, funds must be
3 appropriated to this account to pay for the anticipated cost
4 of any increases over the limits established in section
5 17001, subsection 13, paragraph C that may result from the
6 provisions of that agreement. When the additional actuarial
7 liability is incurred with respect to a retiring state
8 employee, the retirement system shall bill the State
9 Controller for the cost and the State Controller shall
10 transfer to the retirement system the amount billed.

11
12 B. For teachers, the cost must be paid by the school
13 administrative unit that provides an increase over the
14 limits established in section 17001, subsection 13,
15 paragraph C. If the school administrative unit has agreed
16 to pay the cost of the additional actuarial liability, the
17 retirement system shall bill the school administrative unit
18 for the cost, which must be paid by the school
19 administrative unit within 60 days of its receipt of the
20 bill. If the retirement system does not receive payment
21 within 60 days, the system shall notify the State
22 Controller, who shall immediately reduce the school
23 administrative unit's general purpose aid by the amount
24 billed plus interest applied as of the 60th day and transfer
25 the total amount of the reduction to the retirement system.
26 If the general purpose aid payable at the time to the school
27 administrative unit is insufficient to pay the entire amount
28 of the reduction, general purpose aid payable to the school
29 administrative unit in the future must be reduced until the
30 entire amount of the reduction, plus any additional accrued
31 interest, has been transferred to the retirement system.

32 C. The retirement system shall provide information with the
33 bill to the employer stating the basis on which the cost
34 billed was calculated and showing the calculations. If the
35 State Controller or school administrative unit questions the
36 cost, its basis or the calculations, the retirement system
37 shall promptly respond and, if necessary, meet with the
38 State Controller or school administrative unit to resolve
39 any dispute.

40
41 This subsection does not apply to excess increases resulting from
42 compensation paid prior to July 1, 1993, from compensation paid
43 in accordance with an individual employment contract executed
44 prior to July 1, 1993 or collective bargaining agreement executed
45 or ratified in its final form by final vote of one party to the
46 agreement prior to July 1, 1993 for the initial term of that
47 contract or agreement or from other action by the governing body
48 of the school administrative unit in effect on July 1, 1993. In
49 addition, this subsection does not apply to increases granted to
50 state employees during fiscal years 1993-94 and 1994-95.

COMMITTEE AMENDMENT

R & S.

2 **Sec. 3. Retroactivity.** This Act applies retroactively to June
30, 1993.'

4

6 Further amend the bill by inserting at the end before the
statement of fact the following:

8

FISCAL NOTE

10 Retroactively changing the effective date of certain
12 retirement reforms will have no significant impact on the savings
that will be realized by those reforms.'

14

16

STATEMENT OF FACT

18 This amendment accomplishes the same purpose as the original
20 bill but limits the exemption to a collective bargaining
agreement executed by July 1, 1993 or ratified in its final form
22 by one party to the agreement prior to July 1, 1993. The
amendment also adds a fiscal note to the bill and conforms
existing law to current drafting standards.

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