

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

R&S

L.D. 1896

DATE: 3/22/94

(Filing No. S- 474 )

**AGING, RETIREMENT & VETERANS**

Reported by: Senator McCormick of Kennebec

Reproduced and distributed under the direction of the Secretary of the Senate.

**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'Sec. 1. 5 MRSA §17001, sub-§13, ¶C, as repealed and replaced by PL 1993, c. 410, Pt.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

**COMMITTEE AMENDMENT**

RdE

2 increases in compensation for state employees received  
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,  
c. 410, Pt. L, §27, are amended to read:

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

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

48 A. For state employees, the State Controller shall  
50 establish an account from which payments required by section  
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.

24