

MAINE STATE LEGISLATURE

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M
R. of S.

L.D. 483

2
DATE: 3/29/96

(Filing No. H- 881)

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M I N O R I T Y

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LABOR

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10 Reproduced and distributed under the direction of the Clerk of
the House.

12
14 STATE OF MAINE
HOUSE OF REPRESENTATIVES
16 117TH LEGISLATURE
SECOND REGULAR SESSION

18 COMMITTEE AMENDMENT "B" to H.P. 363, L.D. 483, Bill, "An
20 Act to Abolish the Legislative Retirement System"

22 Amend the bill by striking out the title and substituting
the following:

24 'An Act to Abolish the Maine Legislative Retirement System and to
26 Provide Retirement Alternatives to Legislators'

28 Further amend the bill by striking out everything after the
enacting clause and before the statement of fact and inserting in
30 its place the following:

32 'Sec. 1. 3 MRSA §702, as enacted by PL 1985, c. 507, §1, is
amended to read:

34 §702. Name; purpose

36 There is established the Maine Legislative Retirement
38 System, which shall--have has the powers and privileges of a
corporation.

40 The purpose of the Maine Legislative Retirement System is to
42 provide retirement allowances and other benefits under this
chapter for Legislators who are members of the Maine Legislative
44 Retirement System as provided in section 862, subsection 1.

46 Sec. 2. 3 MRSA §755, sub-§1, as enacted by PL 1985, c. 507,
§1, is amended to read:

COMMITTEE AMENDMENT

R. 015.

COMMITTEE AMENDMENT "B" to H.P. 363, L.D. 483

2 **1. Findings.** The Legislature finds that the State owes a
4 great debt to its retired Legislators for their years of faithful
and productive service. Part of that debt is repaid by the
6 benefits provided to Legislators through the Maine Legislative
Retirement System. The Legislature further finds that continued
8 accrual of benefits after December 3, 1996 is an unnecessary
expense and is inconsistent with legislative term limits and the
10 concept of a citizen Legislature. Accrual of benefits after
December 3, 1996 is appropriate only for Legislators who are
12 vested in the Maine Legislative Retirement System on December 3,
1996.

14 **Sec. 3. 3 MRSA §801, sub-§1,** as amended by PL 1989, c. 133,
§7, is further amended to read:

16 **1. Membership mandatory.** Every Legislator serving in the
18 Legislature on or after December 3, 1986, ~~shall be~~ is a member of
the Maine Legislative Retirement System, except that any
20 Legislator who is a member of the Maine State Retirement System
on December 2, 1986, may continue to be a member of that system
22 instead of becoming a member of the Maine Legislative Retirement
System, and any Legislator who is a public school teacher or an
24 employee of the ~~Vocational-Technical-Institute~~ Maine Technical
College System on leave of absence ~~shall continue~~ continues to be
26 a member of the Maine State Retirement System and to have
contributions deducted from the member's legislative salary as
28 provided by Title 5, section 17701. A Legislator who is the
recipient of a retirement allowance from the Maine State
30 Retirement System ~~shall become~~ becomes a member of the Maine
Legislative Retirement System, but ~~no~~ creditable service granted
32 under the Maine State Retirement System ~~shall~~ may not be
transferred to the Maine Legislative Retirement System. A member
34 ~~shall cease~~ ceases to be a member when the member withdraws the
member's contributions, becomes a beneficiary as a result of the
36 member's own retirement or dies. Notwithstanding this subsection
and any other provision of law, a Legislator may not become or
38 remain a member of the Maine Legislative Retirement System or,
except as provided in section 862, subsection 3, earn creditable
40 service under the Maine State Retirement System while serving in
the Legislature after December 3, 1996 unless that Legislator is
42 a member of the Maine Legislative Retirement System on December
3, 1996, as provided in section 862, subsection 1.

44 **Sec. 4. 3 MRSA §802, sub-§3,** as enacted by PL 1985, c. 507,
46 §1, is amended to read:

48 **3. Disability retirement.** The period following the
termination of service and prior to December 4, 1996 for which a
50 beneficiary receives disability retirement allowance payments

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2 under section 853 shall be is allowed as membership service. The
3 period following the termination of service and after December 3,
4 1996 for which a beneficiary receives disability retirement
5 allowance payments under section 853 is allowed as membership
6 service only if the beneficiary is a member of the Maine
7 Legislative Retirement System as provided in section 862,
8 subsection 1.

9
10 **Sec. 5. 3 MRSA §805**, as amended by PL 1993, c. 387, Pt. A,
11 §1, is further amended to read:

12 **§805. Return of accumulated contributions**

13
14 **1. Refund of contributions.** Following termination of
15 service, except by death or retirement under this chapter or
16 after December 3, 1996 if a Legislator's membership is terminated
17 on that date under section 801, subsection 1, a member,--upon
18 application to the Maine Legislative Retirement System,--shall
19 must be paid the amount of his member's accumulated contributions
20 to the system,--if any upon application to the Maine Legislative
21 Retirement System.

22
23 A. If the member has less than 10 years of creditable
24 service, interest shall may not be paid on the accumulated
25 contribution for any period after the 5th anniversary of
26 termination of service or termination of membership.

27
28 B. Payment For Legislators or former Legislators seeking a
29 refund of accumulated contributions, payment must be made
30 upon application and upon termination of service and in not
31 less than 22 days and not more than 60 days after receipt of
32 the application and or receipt of the last payroll upon
33 which the name of the member appears contributions to the
34 Maine Legislative Retirement System were taken, whichever
35 occurs later.

36
37 **2. Applicability.** This section shall does not apply to
38 contributions paid by the State. This section does not require a
39 Legislator or former Legislator to apply for a refund of
40 accumulated contributions.

41
42 **Sec. 6. 3 MRSA c. 30** is enacted to read:

43
44 **CHAPTER 30**

45
46 **LEGISLATIVE RETIREMENT**

47
48 **§861. Legislative retirement plans**

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2 The Board of Trustees of the Maine State Retirement System
3 shall administer the defined contribution plan and the deferred
4 compensation plan for Legislators as provided in this chapter.

6 **§862. Mandatory participation**

8 Except as otherwise provided in this section, every
9 Legislator holding office after December 3, 1996 must, while in
10 office, participate in a defined contribution plan under the
11 United States Internal Revenue Code, Section 401(a), referred to
12 in this chapter as a "401(a) plan," or a deferred compensation
13 plan under the United States Internal Revenue Code, Section 457,
14 referred to in this chapter as a "457 plan," or both.

16 **1. Participation in Maine Legislative Retirement System.** A
17 Legislator who, on December 3, 1996, is a member of the Maine
18 Legislative Retirement System under chapter 29 is not required to
19 participate in the defined contribution or deferred compensation
20 plans under this chapter and may continue to participate in the
21 Maine Legislative Retirement System if that Legislator:

22 A. Has 10 years of creditable service in the Maine
23 Legislative Retirement System on December 3, 1996;

24 B. Is at least 60 years of age, is serving in the
25 Legislature on December 3, 1996 and had at least 10 years of
26 creditable service on July 1, 1993; or

27 C. Is at least 62 years of age, is serving in the
28 Legislature on December 3, 1996 and had fewer than 10 years
29 of creditable service on July 1, 1993.

32 **2. Teachers and technical college employees.** A Legislator
33 who is a public school teacher or an employee of the Maine
34 Technical College System on leave of absence continues to be a
35 member of the Maine State Retirement System and to have
36 contributions deducted from the member's legislative salary as
37 provided by Title 5, section 17701-A.

38 **3. Certain former state employees and legislative members**
39 **of Maine State Retirement System.** A Legislator who was a member
40 of the Maine State Retirement System on December 2, 1986 and who
41 remains a member on December 3, 1996 may continue to be a member
42 of the Maine State Retirement System.

43 **4. Voluntary participation.** Subsections 1 to 3 do not
44 prohibit a Legislator who is not required to participate in
45 either the 401(a) plan or the 457 plan from voluntarily
46 participating in either one or both.

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2 5. Waiver. A Legislator may petition that Legislator's
presiding officer for a waiver from the participation provisions
4 of this section if the Legislator can demonstrate that
participation in either the 401(a) plan or the 457 plan will
6 create or exacerbate that Legislator's federal income tax
liability due to the ownership of another retirement plan. The
8 Office of the Executive Director of the Legislative Council shall
provide assistance as requested by the Legislator or presiding
10 officer. The presiding officer shall respond to the Legislator's
petition within 30 days and shall provide copies of the decision
12 to the Executive Director of the Legislative Council and the
Executive Director of the Maine State Retirement System. Unless
14 a waiver is granted under this subsection or under section 801,
subsection 1-A, a Legislator must participate in the Maine
16 Legislative Retirement System under chapter 29 or the defined
contribution plan or the deferred compensation plan under this
chapter.

18

§863. Contributions

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A Legislator may participate in the 401(a) plan or the 457
22 plan or both by making contributions as provided in this
section. A Legislator participating in the 401(a) plan must
24 contribute to the plan at a rate of 7.5% of legislative
compensation annually. A Legislator participating in the 457
26 plan only must contribute at least 7.5% of legislative
compensation annually. Other amounts may be contributed to the
28 401(a) or 457 plans as provided by federal law.

30

§864. Disability retirement

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A Legislator who becomes disabled while participating in the
34 401(a) plan or the 457 plan or both may receive a disability
retirement allowance on the same basis as provided for members of
the Maine State Retirement System by Title 5, chapter 423,
36 subchapter V, article 3-A.

38

§865. Exercising retirement options

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Any options provided under this chapter must be exercised by
42 the Legislator within 10 days of being sworn into office. An
option once exercised may not be changed during the legislative
44 biennium. For Legislators not participating in the Legislative
Retirement System under chapter 29, failure to select either the
46 401 (a) plan or the 457 plan or to obtain a waiver under section
862, subsection 5 is considered to be selection of the 457 plan.

48

**§866. Reports from the Executive Director of the Legislative
Council**

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2 The Executive Director of the Legislative Council shall
3 submit reports on the employment, compensation and participation
4 of Legislators in legislative retirement plans to the Board of
5 Trustees of the Maine State Retirement System as required by the
6 board. The Maine State Retirement System shall work with the
7 Executive Director of the Legislative Council to provide
8 information to Legislators regarding the options and impacts of
9 participation in the legislative retirement plans provided in
10 this chapter.

11 **Sec. 7. Repeal.** The Maine Legislative Retirement System shall
12 submit legislation to repeal the Maine Revised Statutes, Title 3,
13 chapter 29 as soon as practicable after all liabilities of the
14 system have been discharged.

15 **Sec. 8. Savings used to pay off unfunded liability.** As determined
16 by the Maine State Retirement System's actuary and approved by
17 the Board of Trustees of the Maine State Retirement System, any
18 surplus assets of the Maine Legislative Retirement System
19 resulting from implementation of this Act must be transferred to
20 the Maine State Retirement System and applied toward the payment
21 of the unfunded liability of the Maine State Retirement System
22 that is attributable to state employees and teachers.

23 **Sec. 9. Appropriation.** The following funds are appropriated
24 from the General Fund to carry out the purposes of this Act.

25 **1996-97**

26 **LEGISLATURE**

27 **Legislature**

28 Personal Services (\$51,400)

29 Transfers funds to the Maine State
30 Retirement System in the amount of the
31 savings realized by abolishing the Maine
32 Legislative Retirement System.

33 **LEGISLATURE**

34 **TOTAL** (\$51,400)

35 **MAINE STATE RETIREMENT SYSTEM**

36 **Retirement Allowance Fund**

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All Other \$51,400

Provides for the transfer of funds originally provided to the Maine Legislature for the employer share of legislator retirement costs. These funds are no longer required due to the elimination of the Maine Legislative Retirement System but still must be paid to the Maine State Retirement System as required by the Constitution of Maine.

MAINE STATE RETIREMENT SYSTEM TOTAL \$51,400

TOTAL APPROPRIATIONS \$-0-

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

FISCAL NOTE

The bill deappropriates net savings to the Legislature of \$51,400 in fiscal year 1996-97 by abolishing the Maine Legislative Retirement System. The savings represent those amounts budgeted for legislator retirement costs less the cost of continued membership for certain vested and other members, disability retirement costs and retiree health insurance costs. Since this savings represents an asset of the Maine State Retirement System, the \$51,400 must be appropriated to the system's retirement allowance fund in fiscal year 1996-97 as required by the Constitution of Maine.

Future General Fund appropriation requests of the Legislature will be reduced to reflect these savings by amounts estimated to be at least \$51,400 for a first regular session and \$36,765 for a 2nd regular session. The actual amount of these savings will depend upon the number of Legislators who will be eligible to continue as members of the Maine State Retirement System or the Maine Legislative Retirement System.

Any resulting surplus assets in the Maine Legislative Retirement System will be transferred and applied to reduce the unfunded liability of the Maine State Retirement System.

The additional costs associated with the new reporting requirements and with providing information to Legislators concerning retirement options can be absorbed by the Legislature utilizing existing budgeted resources.

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The additional costs associated with administering the new defined contribution and deferred compensation plans for legislators can be absorbed by the Maine State Retirement System utilizing existing budgeted resources.'

STATEMENT OF FACT

This amendment limits continued membership in the Maine Legislative Retirement System after December 3, 1996 to Legislators who are vested as of that date. Former Legislators or their beneficiaries who are currently receiving a retirement allowance or Legislators who are receiving a disability retirement allowance will not have their benefits affected by this amendment. Former and current Legislators who are vested and, therefore, are eligible to receive a retirement benefit at some point in the future will not have their accrued benefits affected and can continue to accrue service credit for future legislative service.

The Board of Trustees of the Maine Legislative Retirement System will continue to oversee the administration of the Maine Legislative Retirement System. Once all of the liabilities of the system have been discharged, the system is required to submit legislation to repeal the Maine Revised Statutes, Title 3, chapter 29.

After December 3, 1996, current Legislators who do not remain members of the Maine Legislative Retirement System and future Legislators must join either a 401(a) deferred compensation plan or a 457 defined contribution plan or both. The plans are administrated by the Maine State Retirement System. Any gains realized by the Maine State Retirement System as a result of this amendment must be used to reduce the unfunded liability of the Maine State Retirement System attributable to state employees and teachers.

Legislators must contribute at least 7.5% of their compensation to one of the plans. Additional contributions above that level are subject to federal law. The State will not contribute to the plans on behalf of Legislators.

The amendment also adds an appropriation and a fiscal note.