

MAINE STATE LEGISLATURE

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R. O. S.

L.D. 1850

DATE: 3/28/96

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
117TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1349, L.D. 1850, Bill, "An Act to Clarify the Retirement Status of Certain Employees of the Child Development Services System"

Amend the bill by striking out everything after the title and before the statement of fact and inserting in its place the following:

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

Whereas, in 1986, the 16 county projects established to aid in the coordination of the provision of services to preschool handicapped children were combined as the Child Development Services System, or "CDS"; and

Whereas, CDS was created, in part, to establish a central employer for CDS staff, and, so structured, CDS met the definitional requirements and elected to become a participating local district of the Maine State Retirement System; and

Whereas, CDS staff who had previously earned service credit in the Maine State Retirement System state and teacher plan were permitted to bring that service credit with them to be considered as service credit earned in CDS; and

Whereas, amendments to the laws governing the CDS changed its structure so that CDS no longer met the definitional requirements to be a participating local district of the Maine State Retirement System; and

COMMITTEE AMENDMENT

RdS

2 **Whereas**, current applicable Maine State Retirement System
4 laws require that, when a participating local district ceases to
6 exist, funds in the retirement account of the participating local
8 district are allocated to the employees in a manner that
effectively defeats earlier legislative intent permitting state
and teacher plan service credit to be considered as service
credit earned in CDS as a participating local district service
credit; and

10 **Whereas**, enactment of specific provisions governing the
12 distribution of CDS participating local district funds would
14 preserve the earlier legislative intent with respect to affected
CDS employees while incurring no additional liability cost to the
state and teacher plan; and

16 **Whereas**, in the judgment of the Legislature, these facts
18 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
safety; now, therefore,

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

24 **Sec. 1. Distributions to employees as the result of Child Development**
26 **Services System no longer meeting requirements to be a participating local**
28 **district.** Since the Child Development Services System's status as
a participating local district of the Maine State Retirement
System ended June 30, 1992, employer and employee contributions
and earnings on those contributions held by the Maine State
Retirement System on behalf of Child Development Services System
as a participating local district and its employees must be
distributed in accordance with the following:

- 34 1. The following general provisions apply.
- 36 A. Unless specifically provided otherwise, all calculations
38 for lump-sum distributions and transfers of full actuarial
values and related service credit under this section must be
40 made on the basis of service credit and average final
compensation as of June 30, 1992.
- 42 B. A person entitled to make an election under this section
44 must make that election not later than May 1, 1996 in
accordance with procedures established by the Maine State
46 Retirement System. If a person fails to make the election
by the deadline, the person must be treated as if the person
48 had elected subsection 2, paragraph (B), subparagraph (3).

2 C. The value of the assets of Child Development Services
4 System as a participating local district must be established
as of June 1, 1996. Distributions under this section must
be made no later than June 30, 1996.

6 D. A person who elects under this section to transfer
8 service credit to the retirement system's state and teacher
10 plan and who later becomes eligible to take a refund is
entitled to a refund in the amount of the person's employee
contributions and interest earned on the contributions.

12 E. A person covered by this section who, after June 30,
14 1992 and prior to the effective date of this Act, has
received a refund of contributions and interest and who is
16 entitled to make the election under subsection 2, paragraph
B and who elects either subsection 2, paragraph B,
18 subparagraph (1) or (2) must repay in full to the retirement
system the total amount of the refunded contributions and
20 interest, plus interest on the refunded amount accrued
between the date the refund was issued and the date the
22 repayment was made. The repayment must be made in full no
later than May 1, 1996.

24 F. The retirement system will contact and assist persons to
26 whom this section applies to understand the distribution or
distribution elections available under this section to each
28 person.

30 2. Distribution elections are as follows.

32 A. A person who on June 30, 1992 was a Maine State
Retirement System member by virtue of employment by Child
34 Development Services System as a participating local
district and who, on the effective date of this Act, is an
36 employee of Child Development Services System or was a
former employee of Child Development Services System, and
38 whose service credit under Child Development Services System
as a participating local district does not include any
40 service credit earned initially under the retirement
system's state and teacher plan and subsequently transferred
42 to Child Development Services System as a participating
local district to be considered as service credit earned
44 under Child Development Services System's participating
local district plan receives a lump-sum distribution
46 calculated on the basis of the person's service credit
earned under the Child Development Services System's
48 participating local district plan and average final
compensation based on compensation earned under the Child
50 Development Services System's participating local district
plan, less any distribution of employee contributions and

2 interest already made to the person as a refund subsequent
to June 30, 1992.

4 B. A person who on June 30, 1992 was a Maine State
6 Retirement System member by virtue of employment by Child
Development Services System as a participating local
8 district and who, on the effective date of this Act, is an
employee of Child Development Services System or was a
10 former employee of Child Development Services System, and
whose service credit under Child Development Services System
12 as a participating local district includes service credit
earned initially under the retirement system's state and
14 teacher plan and subsequently transferred to Child
Development Services System as a participating local
16 district to be considered as service credit earned under
Child Development Services System's participating local
18 district plan shall elect one of the following:

20 (1) To have transferred back to the retirement
system's state and teacher plan all of the person's
22 service credit under the Child Development Services
System's participating local district plan including
24 service credit earned initially under the retirement
system's state and teacher plan and subsequently
26 transferred to Child Development Services System as a
participating local district to be considered as
28 service credit earned under Child Development Services
System's participating local district plan. For each
30 person who so elects, the amount of the full actuarial
value of the person's retirement benefit calculated on
32 the basis of the combined service credit and average
final compensation based on compensation related to
34 that service credit must be transferred from Child
Development Services System's participating local
36 district plan to the retirement system's state and
teacher plan. All of the service credit so transferred
38 must be considered a service credit earned under the
state and teacher plan and must be combined with other
40 service credit, if any, earned by the person under the
state and teacher plan;

42 (2) To receive a lump-sum distribution calculated on
44 the basis of the person's service credit earned under
the Child Development Services System participating
46 local district plan and average final compensation
based on compensation earned under the Child
48 Development Services System's participating local
district plan, less any distribution of employee
50 contributions and interest already made to the person
as a refund subsequent to June 30, 1992, and to have

2 transferred back to the retirement system's state and
teacher plan the service credit initially earned under
4 the state and teacher plan and subsequently transferred
to the Child Development Services System participating
6 local district plan. For each person who so elects,
the amount of the full actuarial value of the person's
8 retirement benefit calculated on the basis of that
service credit and average final compensation based on
10 compensation related to that service credit must be
transferred from Child Development Services System
12 participating local district plan to the state and
teacher plan. All of the service credit so transferred
14 must be considered as service credit earned under the
state and teacher plan and must be combined with other
16 service credit, if any, earned by the person under the
state and teacher plan; or

18 (3) To receive a lump-sum distribution calculated on
the basis of the person's service credit under the
20 Child Development Services System's participating local
district plan, including service credit initially
22 earned under the retirement system's state and teacher
plan and subsequently transferred to Child Development
24 Services System as a participating local district to be
considered as service credit earned under Child
26 Development Services System participating local
district plan, and average final compensation based on
28 compensation related to all of that service credit.

30 3. If, after all lump-sum distributions are made, there are
insufficient assets in Child Development Services System's
32 participating local district plan to carry out all transfers of
full actuarial value to the state and teacher plan that are
34 necessary as a result of elections made by persons entitled to an
election under this section, the amount of the shortfall in
36 assets must be calculated as a percent of the total amount of
assets required to make all of the full actuarial value
38 transfers. That percentage must then be applied to the full
actuarial value for each person's electing such a transfer,
40 reducing each person's full actuarial value and related
transferred service credit by that percentage, so that the
42 transferred service credit, so reduced, is fully funded.

44 4. If, after all lump-sum distributions and transfers of
actuarial values as provided under this section are made, assets
46 remain in the Child Development Services System's participating
local district plan, the full remaining balance of assets must be
48 distributed to Child Development Services System for retention or
distribution back to Child Development Services System's funding
50 source or sources, as required by applicable law.

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

4

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

8

FISCAL NOTE

10

12 The establishment of a method to transfer the full actuarial
value of a certain employee service credit that includes a
proration of any asset shortfalls will eliminate the risk of
14 increasing the unfunded liability of the Maine State Retirement
System.

16

18 The additional costs associated with assisting individuals
with retirement distribution elections can be absorbed by the
Maine State Retirement System utilizing existing budgeted
20 resources.'

22

STATEMENT OF FACT

24

26 This amendment replaces the bill. The amendment retains the
intent of the bill to provide options to employees and former
employees of the Child Development Services System, "CDS," with
regard to distribution of retirement funds and the transfer of
28 creditable service following dissolution of CDS as a
participating local district under the Maine State Retirement
System. The amendment clarifies the options, establishes a time
frame in which the options must be exercised, directs the
30 retirement system to provide assistance to those exercising an
option, provides for equitable distribution of funds if there are
32 insufficient assets to make full payment or transfer and provides
for distribution of any remaining assets after full payment and
34 transfer have been made. The amendment also adds an emergency
preamble and clause and a fiscal note to the bill.

36