

MAINE STATE LEGISLATURE

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R & S

L.D. 1100

DATE: 3-27-98

(Filing No. H-1092)

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

14 STATE OF MAINE
16 HOUSE OF REPRESENTATIVES
18 118TH LEGISLATURE
20 SECOND REGULAR SESSION

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COMMITTEE AMENDMENT "A" to H.P. 812, L.D. 1100, Bill, "An Act to Amend the Laws Relating to Vesting in the Maine State Retirement System"

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

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'Sec. 1. 3 MRSA §851, sub-§1-A, as amended by PL 1993, c. 410, Pt. L, §3-A, is further amended to read:

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1-A. Age 62; less than 10 years creditable service on July 1, 1993. Any member in service may retire on or after the member's 62nd birthday. Any member not in service may retire at the age of 62 years or thereafter provided that the member has at least 10 years of creditable service or 5 full terms as a Legislator. Creditable service as a member of the Maine State Retirement System after service as a member of the Maine Legislative Retirement System is used in determining the completion of 10 years of creditable service.

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This subsection applies to members who are not covered under subsection 1.

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On and after January 1, 1999, a member not in service to whom this subsection applies who terminated service on or after January 1, 1999 may retire at 62 years of age or thereafter as long as the member has at least 5 years of creditable service or 5 years of service as a Legislator. Creditable service as a

COMMITTEE AMENDMENT

member of the Maine State Retirement System after service as a member of the Maine Legislative Retirement System must be used in determining the completion of 5 years of creditable service. This subsection does not change or affect any other requirement for qualification for service retirement benefits and does not change or affect benefit computation under section 852.

Sec. 2. 4 MRSA §1351, sub-§1-A, as amended by PL 1993, c. 410, Pt. L, §6, is further amended to read:

1-A. Age 62; less than 10 years of creditable service on July 1, 1993. Any member may retire on or after the member's 62nd birthday if the member has at least 10 years of creditable service. This subsection applies to members who, on July 1, 1993, do not have 10 years of creditable service.

On and after January 1, 1999, a member to whom this subsection applies who is not in service and who terminated service on or after January 1, 1999 or who is in service may retire on or after the member's 62nd birthday if the member has at least 5 years of creditable service. This subsection does not change or affect any other requirement for service retirement benefits qualification and does not change or affect benefit computation under section 1352.

Sec. 3. 5 MRSA §17851, sub-§1, as amended by PL 1993, c. 410, Pt. L, §32, is further amended to read:

1. Member in service; 10 years of creditable service on July 1, 1993. -A- Except as otherwise provided in section 17851-A, a member who is in service when reaching 60 years of age, or is in service after reaching 60 years of age, qualifies for a service retirement benefit if the member:

A. Retires upon or after reaching 60 years of age; and

B. Has been in service for a minimum of one year immediately before retirement or has at least 10 years of creditable service, which may include creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

This subsection applies to members who, on July 1, 1993, have 10 years of creditable service or who have reached 60 years of age and have been in service for a minimum of one year immediately before that date. For the purpose of calculating creditable service under this subsection only, creditable service includes time during which a member participated in the voluntary cost savings plan or the voluntary employee incentive program,

authorized by Public Law 1989, chapter 702, ~~section-F-6~~ Part F, section 6 and Public Law 1991, chapter 591, Part BB and chapter 780, Part VV, or 10 years of combined creditable service under this Part and Title 3, chapter 29, or creditable service available to a member that the member was eligible to purchase on June 30, 1993 and that the member does purchase in accordance with rules adopted by the board.

Sec. 4. 5 MRSA §17851, sub-§1-A, as amended by PL 1993, c. 410, Pt. L, §33, is further amended to read:

1-A. Member in service; less than 10 years creditable service on July 1, 1993. -A- Except as otherwise provided in section 17851-A, a member who is in service when reaching 62 years of age, or is in service after reaching 62 years of age, qualifies for a service retirement benefit if the member:

A. Retires upon or after reaching 62 years of age; and

B. Has been in service for a minimum of one year immediately before retirement or has at least 10 years of creditable service, which may include creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

This subsection applies to members who are not covered under subsection 1.

Sec. 5. 5 MRSA §17851, sub-§2, as amended by PL 1993, c. 410, Pt. L, §34, is further amended to read:

2. Member not in service; 10 years of creditable service on July 1, 1993. -A- Except as otherwise provided in section 17851-A, a member who is not in service when reaching 60 years of age qualifies for a service retirement benefit if the member:

A. Retires upon or after reaching 60 years of age; and

B. Has at least 10 years of creditable service or 5 full terms as a Legislator, which may include creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

This subsection applies to members who, on July 1, 1993, have 10 years of creditable service. For the purpose of calculating creditable service under this subsection only, creditable service includes time during which a member participated in the voluntary cost savings plan or the voluntary employee incentive program,

authorized by Public Law 1989, chapter 702, ~~section F-6~~ Part F, section 6 and Public Law 1991, chapter 591, Part BB and chapter 780, Part VV, or 10 years of combined creditable service under this Part and Title 3, chapter 29, or creditable service available to a member that the member was eligible to purchase on June 30, 1993 and that the member does purchase in accordance with rules adopted by the board.

Sec. 6. 5 MRSA §17851, sub-§2-A, as amended by PL 1993, c. 410, Pt. L, §35, is further amended to read:

2-A. Member not in service; less than 10 years creditable service on July 1, 1993. -A- Except as otherwise provided in section 17851-A, a member who is not in service when reaching 62 years of age qualifies for a service retirement benefit if the member:

A. Retires upon or after reaching 62 years of age; and

B. Has at least 10 years of creditable service or 5 full terms as a Legislator, which may include creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

This subsection applies to members who, on July 1, 1993, do not have 10 years of creditable service.

Sec. 7. 5 MRSA §17851-A is enacted to read:

§17851-A. Qualification for benefits after January 1, 1999; years of creditable service

1. A member in service. On and after January 1, 1999, a member in service to whom section 17851, subsection 1 or 1-A applies qualifies for a service retirement benefit if the member has been in service for a minimum of one year immediately before retirement or has at least 5 years of creditable service, which may include creditable service as a member of the Maine Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

2. A member not in service; termination after January 1, 1999. On and after January 1, 1999, a member not in service to whom section 17851, subsection 2 or 2-A applies who terminated service on or after January 1, 1999, qualifies for a service retirement benefit if the member has at least 5 years of creditable service or 5 years of service as a Legislator, which may include creditable service as a member of the Maine

Legislative Retirement System under Title 3, section 701, subsection 8, before becoming a member of the Maine State Retirement System.

This section does not change or affect any other requirement for service retirement benefits qualification and does not change or affect benefit computation under section 17852.

Sec. 8. Expenditures in excess of allocations. Expenditures required by this Act of funds other than the General Fund and the Highway Fund are authorized to exceed legislative allocations during the current biennium ending June 30, 1999. Appropriate adjustments to basic work programs facilitating these expenditures in excess of allocations must be recommended by the State Budget Officer and approved by the Governor.

Sec. 9. Adjustment of rates. The State Budget Officer after consultation with the Maine State Retirement System shall adjust the normal cost component of the employer contribution rates on the effective date of this Act to fully fund this Act on an actuarially sound basis. In addition, the State Budget Officer shall assess the accounts in other funds for their share of the unfunded liability costs based on total fiscal year 1998-99 salaries in those accounts.

Sec. 10. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

1998-99

**ADMINISTRATIVE AND FINANCIAL SERVICES,
DEPARTMENT OF**

Salary Plan

Personal Services \$48,857

Provides funds to be held in reserve in the event that costs associated with the increase in the normal cost component of the employer contribution rate from reducing the service requirement for benefit eligibility for state employees, judges and Legislators for retirement costs exceed the amounts available for state departments and agencies. Because the normal cost component of the employer contribution rate for state employees is actuarially established based on projected salaries as a rate that must be

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COMMITTEE AMENDMENT "A" to H.P. 812, L.D. 1100

2 applied to actual salaries, the funds
3 resulting from the application of the
4 actuarially established rate constitute
5 appropriated funds. The funds here
6 specified constitute estimates and not
7 appropriated funds.

8 **DEPARTMENT OF ADMINISTRATIVE AND**
9 **FINANCIAL SERVICES**
10 **TOTAL** \$48,857

12 **EDUCATION, DEPARTMENT OF**

14 **Teacher Retirement**

16 All Other \$687,210

18 Provides funds for the unfunded liability
19 costs and the increase in the normal cost
20 component of the employer contribution rate
21 that results from reducing the service
22 requirement for benefit eligibility for
23 teachers from 10 to 5 years.

24 **DEPARTMENT OF EDUCATION**
25 **TOTAL** \$687,210

28 **MAINE STATE RETIREMENT SYSTEM, BOARD**
29 **OF TRUSTEES OF THE**

30 **Retirement Allowance Fund**

32 Personal Services \$173,059

34 Provides funds for the unfunded liability
35 costs related to reducing the service
36 requirement for benefit eligibility for
37 state employees, judges and Legislators from
38 10 years to 5 years.

40 **BOARD OF TRUSTEES OF THE MAINE STATE**
41 **RETIREMENT SYSTEM**
42 **TOTAL** \$173,059

46 **TOTAL APPROPRIATIONS** \$909,126

48 **Sec. 11. Allocation.** The following funds are allocated from
49 the Highway Fund to carry out the purposes of this Act.
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COMMITTEE AMENDMENT

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1998-99

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**ADMINISTRATIVE AND FINANCIAL SERVICES,
DEPARTMENT OF**

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Salary Plan

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Personal Services

\$18,710

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Provides funds to be held in reserve in the event that costs associated with the increase in the normal cost component of the employer contribution rate from reducing the service requirement for benefit eligibility for retirement costs exceed the amounts available for state departments and agencies. Because the normal cost component of the employer contribution rate for state employees is actuarially established based on projected salaries as a rate that must be applied to actual salaries, the funds resulting from the application of the actuarially established rate constitute appropriated funds. The funds here specified constitute estimates and not appropriated funds.

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**DEPARTMENT OF ADMINISTRATIVE AND
FINANCIAL SERVICES**

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TOTAL

\$18,710

32

**MAINE STATE RETIREMENT SYSTEM, BOARD
OF TRUSTEES OF THE**

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Retirement Allowance Fund

36

All Other

\$45,212

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Provides funds for the unfunded liability costs that result from reducing the service requirement for benefit eligibility for state employees from 10 years to 5 years.

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**BOARD OF TRUSTEES OF THE MAINE STATE
RETIREMENT SYSTEM**

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TOTAL

\$45,212

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TOTAL ALLOCATIONS

\$63,922

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A.S.

Sec. 12. Effective date. This Act takes effect January 1, 1999.'

Further amend the bill by inserting at the end before the summary the following:

FISCAL NOTE

1998-99

APPROPRIATIONS/ALLOCATIONS

General Fund	\$909,126
Highway Fund	45,212

This bill lowers from 10 years to 5 years the amount of creditable service needed for state employees, teachers, judges and legislators not serving at time of retirement to be eligible to receive a service retirement benefit at the applicable normal retirement age. As a result, it increases the unfunded liability of the Maine State Retirement System by \$750,000 for state employees and teachers, that of the Judicial Retirement System by \$2,000 for judges and that of the Legislative Retirement System by \$53,000 for legislators. Since the Constitution of Maine, Article IX, Section 18-A prohibits the creation of unfunded liabilities except those that result from experience losses, the bill provides a General Fund appropriation and a Highway Fund allocation of \$659,120 and \$45,212, respectively, to the Maine State Retirement System in fiscal year 1998-99. The cost to accounts in other funds, estimated to be \$100,668, may require increased allotments to meet these additional personal services expenditures.

Reducing the service requirement for benefit eligibility will also increase the normal cost component of the employer contribution rate by an additional 0.05% of salaries for state employees, teachers and legislators and 0.04% of salaries for judges resulting in increased employer contributions to the Maine State Retirement System during the current biennium totaling an estimated \$310,376 in fiscal year 1998-99. The estimated future increases in the employer contribution rate are estimated to total \$657,997 and \$697,477 in fiscal years 1999-2000 and 2000-01, respectively.

An additional General Fund appropriation of \$201,149 in fiscal year 1998-99 is included to fund the teachers' retirement portion. The estimated employer costs to the General Fund and the Highway Fund for state employees in fiscal year 1998-99 will be \$48,857 and \$18,710, respectively. A General Fund

2 appropriation and a Highway Fund allocation, equal to the total
3 costs to those funds, are included to provide funds in the salary
4 plan reserve accounts in the event that the increase in the
5 employer retirement contribution rates and other personal
6 services expenses exceed the allotments in General Fund and
7 Highway Fund accounts during fiscal year 1998-99. The cost to
8 accounts in other funds, estimated to be \$41,660 in fiscal year
9 1998-99, may require increased allotments to meet these
10 additional personal services expenditures. Those increases
11 necessary to meet the additional expenditures are to be
12 authorized by financial order.'

14 **SUMMARY**

16 This amendment replaces the bill. Effective January 1, 1999,
17 it lowers from 10 to 5 years the amount of creditable service
18 needed by state employees, teachers, judges and Legislators who
19 are not in service at the time of retirement to be eligible to
20 receive service retirement benefits at the applicable normal
21 retirement age.

22 This amendment also adds an appropriation, an allocation and
23 a fiscal note to the bill.
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