

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 1494

S.P. 486

In Senate, March 12, 1997

**An Act to Replace the Defined Benefit Retirement Plan for State and
Other Public Employees with a Defined Contribution Plan.**

Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator AMERO of Cumberland.
Cosponsored by Senators: ABROMSON of Cumberland, KIEFFER of Aroostook,
Representative: WINSOR of Norway.

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

2
4 **Sec. 1. Defined contribution retirement plan for public employees**
6 **established.** Beginning July 1, 2001, all state employees,
8 teachers and participating local district employees must be
10 members of a defined contribution plan or plans established in
12 accordance with this Act. Membership in the defined contribution
14 plan or plans replaces membership in the Maine State Retirement
16 System and must be consistent with requirements of the Internal
18 Revenue Code. The plan or plans must cover all categories of
20 public employees currently subject to the Maine State Retirement
 System, and membership is mandatory for all covered employees
 hired after July 1, 2001. Employees who became members of the
 Maine State Retirement System under any of the plans administered
 by the retirement system before that date remain members of the
 Maine State Retirement System and may not be covered by the
 defined contribution plan or plans. The retirement system shall
 continue to administer the various plans currently available to
 members and beneficiaries until all the liabilities of the system
 have been discharged.

22 **Sec. 2. Blue Ribbon Commission to Establish a Defined Contribution**
24 **Retirement Plan for State Employees created.** The Blue Ribbon
26 Commission to Establish a Defined Contribution Retirement Plan
 for State Employees, referred to in this section as the
 "commission" is established.

28 **1. Membership.** The commission consists of 4 members, who
30 must be impartial and without any direct financial interest in
32 the Maine State Retirement System, appointed as follows: two
34 members appointed by the Governor, one member appointed by the
36 President of the Senate and one member appointed by the Speaker
38 of the House of Representatives. Each appointing authority has
40 the power to veto the commission members chosen by the others. A
42 member may not be a Legislator, a member of the Maine State
44 Retirement System, a person eligible to be a member of the Maine
 State Retirement System or a member or employee of an
 organization representing persons eligible to be members of the
 Maine State Retirement System. Each member must have experience
 with public or private pension systems or have a current working
 knowledge of standard pension administration and management
 practices, state and federal law governing pension systems or
 retirement planning options and strategies.

46 **2. Appointments.** All appointments must be made no later
48 than 30 days following the effective date of this Act. The
50 appointing authorities shall notify the Executive Director of the
 Legislative Council upon making their appointments. When the
 appointment of all members is complete, the Chair of the
 Legislative Council shall convene the first meeting of the

2 commission no later than October 1, 1997. The commission shall
3 select a chair from among its members.

4 **3. Duties.** The Commission shall examine and make
5 recommendations on:

6
7 A. The type of defined contribution plan to be offered and
8 whether options will be available, including member
9 exercised investment strategy options for funds invested in
10 the plan or plans;

11
12 B. The appropriate contribution rates for employees and the
13 State or other public employer;

14
15 C. Eligibility requirements under the plan or plans for
16 retirement, disability and death benefits;

17
18 D. How the funds of the plan or plans will be managed and
19 how the operation of the plan or plans will be administered;

20
21 E. Matters related to the transition from a defined benefit
22 plan to the defined contribution plan or plans;

23
24 F. Legislation necessary to implement this Act and the
25 other recommendations of the commission; and

26
27 G. Other related matters at the discretion of the
28 commission.

29
30 In examining these issues, the commission may hold public
31 hearings and other meetings with interested and affected
32 parties. The commission is subject to the freedom of access
33 laws, Title 1, chapter 13, subchapter I.

34
35 **4. Staff assistance.** The commission may contract for the
36 services of those professionals it requires to assist it in its
37 work. The committee may request staff assistance from the
38 Legislative Council. On request of the commission, assistance
39 must be provided by the Maine State Retirement System, the
40 Attorney General and any agency of the Executive Department.

41
42 **5. Reimbursement.** Members of the commission are entitled
43 to reimbursement for travel and other necessary expenses upon
44 application to the Legislative Council. The Executive Director
45 of the Legislative Council shall administer the commission's
46 budget.

47
48 **6. Report.** The Commission shall submit its report and
49 accompanying legislation to the Governor and the Second Regular
50 Session of the 119th Legislature by December 1, 1999. An interim

2 report must be submitted to the joint standing committee of the
Legislature having jurisdiction over retirement matters by
4 January 15, 1999.

6 SUMMARY

8 Effective July 1, 2001, this bill eliminates the present
defined benefit retirement plan for state and other public
10 employees hired after that date and replaces it with one or more
defined contribution plans. The details of the defined
12 contribution plan or plans, including types of plan to be
available, contribution rates, retirement eligibility
14 requirements and responsibility for management and administrative
functions, are to be determined by the Legislature in the year
16 2000 based on recommendations of a blue ribbon commission
established in the bill. The commission consists of 4 impartial,
18 qualified members appointed by the Governor and legislative
leadership. The commission will issue an interim report to the
20 Joint Standing Committee on Labor in January 1999, and its final
report to the Governor and the Legislature by December 1, 1999.
22 Employees who become members of the Maine State Retirement System
before July 1, 2001 remain members of the retirement system,
24 which continues for the purpose of administering the benefits of
those members.