

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1395, L.D. 1949, Bill, "An Act to Allow Maine Technical College System Employees Represented by the Maine Education Association Faculty and Administrative Units to Participate in a Defined Contribution Retirement Plan"

Amend the bill by inserting before section 1 the following:

'Sec. 1. 5 MRSA §285, sub-§7, as amended by PL 1997, c. 24, Pt. C, §1 and c. 80, §4, is repealed and the following enacted in its place:

7. Payment by State. Except as otherwise provided in this subsection, the State, through the commission, shall pay 100% of only the employee's share of the individual premium for the standard plan identified and offered by the commission and available to the employee as authorized by the commission, except for Legislators, for whom the State shall pay 50% of the health plan premium for dependent coverage. For any person appointed to a position after November 1, 1981 who is employed less than full time, the State shall pay a share of the employee's share reduced pro rata to reflect the reduced number of work hours. The State may not pay any portion of the health plan premium for a blind person eligible for the group health plan under subsection 1, paragraph H.

For persons who were first employed before July 1, 1991, the State shall pay 100% of only the retiree's share of the premiums for the standard plan identified and offered by the commission and available to the retiree, as authorized by the commission for persons who were previously eligible for this health plan pursuant to subsection 1, paragraph A and who have subsequently become eligible pursuant to subsection 1, paragraph G.

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For persons who were first employed by the State after July 1, 1991, the State shall pay a pro rata share portion of only the retiree's share of the premiums for the standard plan identified and offered by the commission and available to the retiree, as authorized by the commission for persons who were previously eligible for this health plan pursuant to subsection 1, paragraph A and who have subsequently become eligible pursuant to subsection 1, paragraph G based on the total number of years of participation in the group health plan prior to retirement as follows:

<u>Years of Participation</u>	<u>State Portion</u>
<u>10 or more years</u>	<u>100% group health plan premium</u>
<u>9 but less than 10 years</u>	<u>90% group health plan premium</u>
<u>8 but less than 9 years</u>	<u>80% group health plan premium</u>
<u>7 but less than 8 years</u>	<u>70% group health plan premium</u>
<u>6 but less than 7 years</u>	<u>60% group health plan premium</u>
<u>5 but less than 6 years</u>	<u>50% group health plan premium</u>
<u>Less than 5 years</u>	<u>No contribution</u>

Pursuant to Title 20-A, section 12722, subsection 5, this subsection applies to participants in the defined contribution plan offered by the Maine Technical College System Board of Trustees under Title 20-A, section 12722.

Sec. 2. 5 MRSA §17001, sub-§40, as amended by PL 1989, c. 698, §§3 and 76, is further amended to read:

40. State employee. "State employee" means any regular classified or unclassified officer or employee in a department, any employee of the Maine Technical College System, except those who make the election provided under Title 20-A, section 12722, and any employee transferred from the Division of Higher Education Services to the Finance Authority of Maine who elects to be treated as a state employee, but does not include:

A. A judge, as defined in Title 4, section 1201 or 1301, who is now or later may be entitled to retirement benefits under Title 4, chapter 27 or 29;

B. A member of the State Police who is now entitled to retirement benefits under Title 25, chapter 195; or

2 C. A Legislator who is now or later may be entitled to
retirement benefits under Title 3, chapter 29.'

4
6 Further amend the bill in section 1 in subsection 3 in the
last 2 lines (page 1, lines 9 and 10 in L.D.) by striking out the
following: "section 12706, subsection 20" and inserting in its
8 place the following: 'section 12722'

10 Further amend the bill by striking out all of sections 2 to
4 and inserting in their place the following:

12
14 'Sec. 2. 20-A MRSA §12722 is enacted to read:

16 **§12722. Defined contribution retirement plan**

18 **1. Eligibility; plan contents.** Subject to applicable
bargaining agreements, the board of trustees may authorize
20 persons employed in the faculty and instructors and the
administrative staff bargaining units to participate in a defined
22 contribution retirement plan offered by the board of trustees
instead of any plan offered by the Maine State Retirement System.
24 The defined contribution retirement plan must include the
requirement that any disbursement of the accumulated assets in a
person's defined contribution plan account or accounts must
26 include pay out of at least 40% of the assets as a life annuity.
The defined contributions retirement plan must also offer an
28 option providing a life annuity pay out to a surviving spouse.

30 **2. Election periods.** Election to participate in either the
defined contribution plan authorized in subsection 1 or any plan
32 offered by the Maine State Retirement System must be as follows.

34 **A.** An eligible person who is employed by the system, its
colleges or subsidiaries on August 31, 1998 or on the last
36 day of the month in which authorization pursuant to
subsection 1 occurs, whichever is later, may make a one-time
38 irrevocable election to participate in the defined
contribution plan offered by the board of trustees instead
40 of any plan offered by the Maine State Retirement System.
Any information regarding an employee's membership in the
42 Maine State Retirement System that is needed for this
election must be requested from the Maine State Retirement
44 System by an eligible person no later than November 30, 1998
or 90 days following the date of authorization pursuant to
46 subsection 1, whichever is later, except that an eligible
person may decline in writing to the employing institution
48 to request information from the Maine State Retirement
System pursuant to this subsection. An eligible person who

2 chooses to make an election pursuant to this subsection
3 shall make that election in writing no later than 90 days
4 following the mailing by the Maine State Retirement System
5 to that person of the requested membership information or
6 the date the eligible person declines in writing to request
7 the information and shall file notice of that election with
8 the administrative officer of the employing institution.
9 The employing institution shall notify the Maine State
10 Retirement System of the election in accordance with
11 procedures established by the Executive Director of the
12 Maine State Retirement System. This notification must
13 specify the date on which the person's participation in the
14 defined contribution plan is effective.

15 B. An eligible person who is first employed by the system,
16 its colleges or subsidiaries on or after September 1, 1998
17 or after the date of authorization pursuant to subsection 1,
18 whichever is later, is considered to be a participant in the
19 defined contribution plan offered by the board of trustees
20 unless that person makes a one-time irrevocable election to
21 participate in the Maine State Retirement System. The
22 election must be made in writing no later than 30 days after
23 the date of hire in an eligible position or November 30,
24 1998, whichever is later, and notice of the election must be
25 filed with the administrative officer of the employing
26 institution. The employing institution shall notify the
27 Maine State Retirement System of the election in accordance
28 with procedures established by the Executive Director of the
29 Maine State Retirement System. Participation in the Maine
30 State Retirement System pursuant to an election under this
31 paragraph is effective as of the date of hire, and the
32 system shall remit all required contributions to the Maine
33 State Retirement System retroactive to the date of hire.

34 3. **Maine State Retirement System members.** An eligible
35 person who becomes a participant in the defined contribution plan
36 offered by the board of trustees and who is a member of the Maine
37 State Retirement System at the time participation in the defined
38 contribution plan begins may apply for a refund of accumulated
39 contributions from the Maine State Retirement System pursuant to
40 Title 5, section 17705, except that any such person who has less
41 than 10 years of creditable service as of the date specified in
42 the notification in subsection 2, paragraph A or the date of hire
43 pursuant to subsection 2, paragraph B shall apply for a refund of
44 accumulated contributions. Participation in the defined
45 contribution plan offered by the board of trustees pursuant to
46 this section is considered a termination of service for purposes
47 of Title 5, section 17705 as of the date specified in the
48 notification in subsection 2, paragraph A or the date of hire
49 pursuant to subsection 2, paragraph B, except that, if an
50

2 application is made for refund of accumulated contributions under
3 an election pursuant to subsection 2, paragraph A, payment must
4 be made no later than 90 days after receipt of the application by
5 the Maine State Retirement System. Service rendered while a
6 participant in the defined contribution plan offered by the board
7 of trustees does not constitute service for a Maine State
8 Retirement System member who does not withdraw contributions from
9 the Maine State Retirement System nor is the member considered to
10 be in service for purposes of Title 5, chapter 423, subchapter V,
11 articles 3-A, 4 and 5 or, if the recipient of a service
12 retirement benefit, restored to service for purposes of Title 5,
13 section 17855.

14 **4. No service credit for defined contribution plan**
15 **participation.** At no time may an employee who participates in
16 the defined contribution plan offered by the board of trustees
17 pay contributions or pick-up contributions to the Maine State
18 Retirement System or receive Maine State Retirement System
19 service credit for any time during which the employee
20 participated in the defined contribution plan.

22 **5. Retiree health benefits.** For purposes of Title 5,
23 section 285, subsection 7, participants in the defined
24 contribution plan offered by the board of trustees must be
25 treated as persons who were previously eligible pursuant to Title
26 5, section 285, subsection 1, paragraph A if those persons have
27 terminated employment with the system, its colleges and
28 subsidiaries, if that employment represents the last place of
29 employment in which those persons are eligible for health
30 insurance coverage under Title 5, section 285 and if those
31 persons are at least 60 years of age, except for termination due
32 to disability when those persons are receiving disability
33 benefits under a disability benefit program provided by the board
34 of trustees under subsection 6. The board of trustees is
35 responsible for payment of the State's share of health plan
36 premiums under Title 5, section 285, subsection 7 for defined
37 contribution plan participants if the requirements of this
38 subsection are met.

40 **6. Disability benefits.** For employees covered under the
41 defined contribution plan, the board of trustees shall provide a
42 disability benefit program, the cost of which must be paid by the
43 board of trustees. At a minimum, that program must establish
44 eligibility criteria, provide coverage for physical and mental
45 disabilities and provide a level of benefits at least equal to
46 60% of the employee's annual compensation.

48 **7. Administration.** The board of trustees and the Maine
49 State Retirement System shall administer this section as follows.
50

2 A. The board of trustees is responsible for providing an
3 employee with information as to membership under the Maine
4 State Retirement System and as to coverage under the defined
5 contribution plan offered by the board of trustees to assist
6 the employee in making an election decision. The Maine
7 State Retirement System shall provide the board of trustees
8 with information as to membership in the Maine State
9 Retirement System.

10 B. The board of trustees is responsible for determining
11 eligibility and providing procedures for making an election
12 under this section, for maintaining all records relevant to
13 the election process and an individual employee's election,
14 for informing the Maine State Retirement System as to
15 employee elections in accordance with procedures established
16 by the Executive Director of the Maine State Retirement
17 System and for making all administrative decisions,
18 including the final administrative decision, in any dispute
19 related to an employee's election or to any issue as to the
20 plan offered by the board of trustees. Neither the Maine
21 State Retirement System nor the Board of Trustees of the
22 Maine State Retirement System has responsibility or
23 jurisdiction to make the final administrative decision with
24 respect to any of these matters. The Maine State Retirement
25 System is responsible only to ensure that its records
26 accurately reflect the information provided by the board of
27 trustees, the board of trustees' decision as to any of these
28 matters and the legally recognized outcome of any dispute
29 related to any of these matters.

30 C. With respect to matters related to participation and
31 membership in the Maine State Retirement System other than
32 those specified in paragraph B, the Maine State Retirement
33 System and the Board of Trustees of the Maine State
34 Retirement System retain responsibility and authority
35 according to applicable retirement system law and rules as
36 to the system and its employees to whom this section
37 applies, including the authority to make final
38 administrative decisions.

40 **Sec. 3. Payment of unfunded liability and administrative costs.** The
41 Maine Technical College System shall make contributions toward
42 payment of the unfunded liability costs and administrative costs
43 to the Maine State Retirement System on behalf of Maine Technical
44 College System employees who elect to participate in a defined
45 contribution plan offered by the Board of Trustees of the Maine
46 Technical System as provided in the Maine Revised Statutes, Title
47 20-A, section 12722, subsection 2 through June 30, 1999 at the

2 same percentage as the Maine Technical College System contributes
3 on behalf of its employees who are active members of the
4 retirement system.

5 **Sec. 4. Effective date.** This Act takes effect September 1,
6 1998.'

7 Further amend the bill by relettering or renumbering any
8 nonconsecutive Part letter or section number to read
9 consecutively.

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

12
13
14
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16 **FISCAL NOTE**

17 This bill gives certain employees of the Maine Technical
18 College System the option of continued membership in the Maine
19 State Retirement System or, subject to collective bargaining,
20 membership in a defined contribution retirement plan. Since the
21 Maine Technical College System will continue to be responsible
22 for the employer costs of the unfunded liability and
23 administrative costs of the Maine State Retirement System during
24 the 1998-1999 biennium, the Constitution of Maine, Article IX,
25 Section 18-A, which prohibits the creation of unfunded
26 liabilities except those that result from experience losses, will
27 not be violated. However, the Maine Technical College System is
28 not required to continue its contribution towards the retiree
29 health insurance component of the employer retirement rate. This
30 cost, while expected to be minor in terms of its effect on
31 employer contribution rates, will be shifted to other state
32 departments and agencies.

33
34 Beginning with the 2000-2001 biennium, the Maine Technical
35 College System will no longer be responsible for the unfunded
36 liability or administrative costs related to those employees who
37 have opted out of or who, as new employees, will choose not to
38 become members of the Maine State Retirement System. Since the
39 number of current or new employees who will opt out of the Maine
40 State Retirement System is unknown, the shift of costs from the
41 Maine Technical College System to other state departments and
42 agencies can not be determined at this time.

43
44 The bill also allows those Maine Technical College System
45 employees who elect to participate in a defined contribution plan
46 offered by the system to be eligible, when meeting certain
47 criteria, for the State's retiree health insurance benefits. The
48 Maine Technical College System will be responsible for the
49 employer share of the benefits. The Department of Administrative
50

2 and Financial Services will incur some additional costs to
3 administer the benefits for this separate group. Their ability
4 to absorb these costs can not be determined at this time.

6 The Maine State Retirement System will incur additional
7 administrative costs such as those required to process refunds
8 and track membership changes. These costs can be absorbed within
9 existing budgeted resources of the system.'

10
11 **SUMMARY**

12 This amendment clarifies application of the bill that
13 establishes an option for employees in the faculty and
14 administrative bargaining units of the Maine Technical College
15 System to participate in either the Maine State Retirement System
16 or a defined contribution retirement plan offered by the system.
17 The amendment:

18
19 1. Establishes that the option is a one-time, irrevocable
20 choice for eligible employees and that employees must be members
21 in either the retirement system or the defined contribution plan,
22 but may not be members of both;

23
24 2. Prohibits membership in the defined contribution plan
25 from being counted as creditable service under the retirement
26 system;

27
28 3. Describes the process for current and future employees
29 to exercise their option;

30
31 4. Prescribes the respective responsibilities, if any, for
32 the technical college system and the retirement system for
33 education of employees regarding exercise of their option,
34 recording and reporting the results of employee elections and
35 settling any disputes that may arise;

36
37 5. Provides for continued membership in the state group
38 health insurance plan for participants in the defined
39 contribution plan after retirement with the premium costs to be
40 paid by the technical college system;

41
42 6. Requires the technical college system to provide a
43 disability benefit program for employees who participate in the
44 defined contribution plan;

45
46 7. Provides for the payment of the unfunded liability and
47 administrative costs of the retirement system on behalf of
48

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2 technical college system employees who opt out of the retirement
3 system with contributions at the current rate to be made by the
4 technical college system until June 30, 1999. After that date
5 those costs will be absorbed by other state funds; and

6 8. Adds a fiscal note to the bill.

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