

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1616

S.P. 554

In Senate, March 2, 1999

An Act Regarding the Calculation of Maine State Retirement System Benefits.

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 PARADIS of Aroostook.

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

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4 **Sec. 1. 5 MRSA §17001, sub-§13, ¶C**, as repealed and replaced
by PL 1995, c. 274, §1, is amended to read:

6 C. Notwithstanding the other provisions of this subsection,
7 for the purposes of determining average final compensation,
8 "earnable compensation" does not include any increase that
9 exceeds the prior year's earnable compensation by more than
10 5% or that results in a total increase of more than 10%
11 during the 3-year period used in the calculation of average
12 final compensation, unless the cost of the additional
13 actuarial liability arising from the excess increase is paid
14 by the employer as provided in section 17154. In
15 calculating the limit on earnable compensation imposed by
16 this paragraph, the retirement system shall use the member's
17 4th highest year of earnable compensation as the base year
18 regardless of when that year occurred. Any payment made
19 under paragraph B, subparagraph (1) must be included in
20 determining the amount of increase in the year in which the
21 payment is made. This paragraph does not apply to excess
22 increases resulting from compensation paid prior to July 1,
23 1993, from compensation paid in accordance with an
24 individual employment contract executed prior to July 1,
25 1993 or a collective bargaining agreement executed or
26 ratified in its final form by final vote of one party to the
27 agreement prior to July 1, 1993 for the initial term of that
28 contract or agreement or from other action by the governing
29 body of a school administrative unit in effect on July 1,
30 1993. This paragraph does not apply to increases in
31 compensation of state employees during fiscal year 1993-94
32 and fiscal year 1994-95. In all circumstances in which this
33 paragraph does not apply to earnable compensation of state
34 employees and teachers, the provisions of this paragraph
35 that were in effect prior to June 30, 1993 apply. This
36 paragraph does not apply to earnable compensation of
37 employees of participating local districts.

38 **Sec. 2. 5 MRSA §17804, sub-§5-A** is enacted to read:

40 **5-A. Benefit recalculation under optional methods of**
41 **payment when beneficiary predeceases retiree.** The benefit of a
42 qualifying member who exercises any of the service retirement
43 benefit payment options provided in subsections 2 to 5 must be
44 recalculated as if the qualifying member had selected payment of
45 full benefits under subsection 1 and subsequent benefit payments
46 made in accordance with that recalculation if the designated
47 beneficiary dies before the retiree.

2 **Sec. 3. Retroactivity.** That part of this Act that enacts the
Maine Revised Statutes, Title 5, section 17804, subsection 5-A
takes effect retroactively to July 1, 1996.

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SUMMARY

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To avoid artificially increasing retirement benefits, current law limits increases in compensation for state employees and teachers that may be counted as earnable compensation for purposes of calculating retirement benefits under the Maine State Retirement System to 5% in any one year and to 10% over a member's highest 3 years of compensation. This bill requires the retirement system to use a member's 4th highest year of compensation as the base year in determining whether the caps have been exceeded.

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In the case of a retiree who exercised a benefit payment option calling for a reduced benefit during the member's lifetime in return for continued payment of a benefit to a designated beneficiary after the retiree's death, the bill requires the recalculation of the retirement benefit if the beneficiary dies before the retiree. Retroactive to July 1, 1996, the retiree's benefit would be recalculated as if the option of full benefit payment had been selected.

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