

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

m
R.O.S.

L.D. 2124

DATE: 4-7-00

(Filing No. H-1094)

MINORITY
LABOR

Reproduced and distributed under the direction of the Clerk of the House.

STATE OF MAINE
HOUSE OF REPRESENTATIVES
119TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1484, L.D. 2124, Bill, "An Act to Change the State Retirement System from a Defined Benefit Plan to a Defined Contribution Plan"

Amend the bill in section 1 in subsection 28-B in the 3rd line (page 1, line 7 in L.D.) by striking out the following: "2000" and inserting in its place the following: '2001'

Further amend the bill in section 1 in subsection 28-C in the 2nd line (page 1, line 11 in L.D.) by striking out the following: "401(k)" and inserting in its place the following: '401(a)'

Further amend the bill in section 2 in that part designated "§17651." by striking out all of the first paragraph (page 1, lines 20 to 23 in L.D.) and inserting in its place the following:

'All employees shall hired before July 1, 2001 become members of the retirement system as a condition of their employment, but after July 1, 2001, may elect to participate in Plan 2 as provided in section 18105. Employees hired on or after July 1, 2001 must be members of either Plan 1 or Plan 2. Election to participate in Plan 1 or Plan 2 is a one-time choice that must be exercised as provided in rules adopted by the retirement system. Rules adopted under this section are routine technical rules as defined in chapter 375, subchapter II-A.'

Further amend the bill in section 3 in the 4th line (page 1, line 31 in L.D.) by striking out "2000" and inserting in its place the following: '2001'

Further amend the bill in section 3 in that part designated "§18101." in subsection 6 by striking out all of paragraph A

COMMITTEE AMENDMENT

COMMITTEE AMENDMENT "A" to H.P. 1484, L.D. 2124

(page 2, lines 18 to 21 in L.D.) and inserting in its place the following:

'A. Is first employed and entered upon the payroll of the individual's employer on or after July 1, 2001, who is eligible to participate in either Plan 1 or Plan 2 and who elects to participate in Plan 2; or'

Further amend the bill in section 3 by striking out all of that part designated "~~§18102.~~" (page 2, lines 31 to 45 in L.D.) and inserting in its place the following:

'§18102. Investment options; direction by participant; payment by employer; contractor bidding

1. Member selection of investment options. In accordance with this section, each qualified participant, former qualified participant and refund beneficiary is solely responsible for the selection and management of an option or options for the investment of that individual's employee and employer contributions and earnings. The qualified participant, former qualified participant or refund beneficiary shall notify the employer of the investment option or options selected and of any changes.

2. Contractor bidding. Not later than January 1, 2001, the Commissioner of Administrative and Financial Services shall select one or more firms to offer defined contribution retirement plans for state employees and teachers as a result of investigation and competitive bidding, as outlined in chapter 155. Following study and evaluation, a replacement or an additional firm or firms may be selected through competitive bidding. Any firm selected in accordance with this section must be a registered investment advisor under the federal Investment Company Act of 1940 or a bank or investment advisor authorized to receive or manage funds under the Internal Revenue Code of 1986, as amended.

3. Investment options. Through competitive bidding as provided in subsection 2, the Commissioner of Administrative and Financial Services shall arrange for the provision of a range of investment options from which qualified participants may select. The options must include a core of investment choices that represent a balance of earning potential and security of principal. The options available may also include, as directed by the commissioner, investment options that offer significantly greater risk and earning potential or more investor security and principal protection than the core of investment choices. No more than 20% of any qualified participant's investment options may be selected from outside the core investment choices.

2 4. Payment. The employer shall deduct from each qualified
3 participant's paycheck the employer and employee contributions
4 provided in section 18108 and pay those amounts to the investment
5 option or options selected by the qualified participant, former
6 qualified participant or refund beneficiary.'

8 Further amend the bill in section 3 in that part designated
9 "~~\$18104.~~" by striking out all of the last sentence (page 3, lines
10 10 to 13 in L.D.) and inserting in its place the following: 'This
11 section does not prohibit a qualified participant from
12 participating in an United States Internal Revenue Code, Section
13 457 plan or a Section 403(b) plan established by this State or
14 other public sector employer.'

16 Further amend the bill in section 3 in that part designated
17 "~~\$18105.~~" in subsection 1 in the 7th line (page 3, line 24 in
18 L.D.) by striking the following: "2000" and inserting in its
19 place the following: '2001' and in the 8th line (page 3, line 25
20 in L.D.) by striking out "2002" and inserting in its place the
21 following: '2003'

22 Further amend the bill in section 3 in that part designated
23 "~~\$18105.~~" in subsection 2 in the 2nd line (page 3, line 40 in
24 L.D.) by striking the following: "2000" and inserting in its
25 place the following: '2001' and in the 3rd line (page 3, line 41
26 in L.D.) by striking out "2000" and inserting in its place the
27 following: '2001'

28 Further amend the bill in section 3 by striking out all of
29 that part designated "~~\$18108.~~" (page 4, line 50 and page 5, lines
30 1 to 6 in L.D.) and inserting in its place the following:

31 '\$18108. Contributions

32 1. Employee rate. A qualified participant shall contribute
33 7.65% of earnable contribution to fund Plan 2 and the disability
34 and death benefits provided under section 18111. Employee
35 contributions under this section may be treated as employer
36 contributions in accordance with United States Internal Revenue
37 Code, Section 414(h).

38 2. Employer rate. A qualified participant's employer shall
39 contribute 7% of the participant's earnable compensation to Plan
40 2 on behalf of the participant.

41 The employer shall contribute toward payment of all existing
42 unfunded liabilities of the retirement system on behalf of
43 qualified participants in the same manner as for members of the
44 retirement system under section 17253.'

Further amend the bill in section 3 by inserting at the end the following:

'§18111. Disability and death benefits

A qualified participant who becomes disabled while a member of Plan 2 is eligible for a disability retirement benefit on the same basis as is provided for members of the Maine State Retirement System by subchapter V, article 3-A. The surviving designated beneficiary or beneficiaries of a qualified participant who dies are eligible for ordinary death or accidental death benefits on the same basis as is provided for surviving beneficiaries under subchapter V, articles 4 and 5.'

Further amend the bill by inserting after section 3 the following:

'Sec. 4. Expenditures in excess of allocations. Expenditures required by this Act of funds from other than the General Fund and the Highway Fund are authorized to exceed legislative allocations during the fiscal year ending June 30, 2001. 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. 5. Adjustment of rates. The State Budget Officer shall assess the accounts in other funds for their share of the computerization and calculation of present value of present members' future retirement benefits costs based on total fiscal year 2000-01 salaries in those accounts.

Sec. 6. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

2000-01

MAINE STATE RETIREMENT SYSTEM

Retirement Allowance Fund

All Other \$147,510

Provides funds for computerization of Maine State Retirement System records and calculation of the present value of present members' future retirement benefits under the current retirement plan.

R. of S.

2 MAINE STATE RETIREMENT SYSTEM
 4 TOTAL \$147,510
 6 EDUCATION, DEPARTMENT OF
 8 Teacher Retirement
 10 All Other \$420,000
 12 Provides funds for the computerization of
 14 Maine State Retirement System records and
 16 calculation of the present value of present
 18 members' future retirement benefits under
 20 the current retirement plan.
 22 DEPARTMENT OF EDUCATION
 24 TOTAL \$420,000
 26 TOTAL APPROPRIATIONS \$567,510
 28 Sec. 7. Allocation. The following funds are allocated from the
 Highway Fund to carry out the purposes of this Act.
 2000-01
 26 MAINE STATE RETIREMENT SYSTEM
 28 Retirement Allowance Fund
 30 All Other \$54,450
 32 Provides funds for the computerization of
 34 Maine State Retirement System records and
 36 calculation of the present value of present
 38 members' future retirement benefits under
 40 the current retirement plan.'
 42 Further amend the bill in section 4 in the 2nd line (page 5,
 44 line 37 in L.D.) by striking out the following: "2000" and
 46 inserting in its place the following: '2001'
 48 Further amend the bill in section 4 in the 5th line (page 5,
 50 line 40 in L.D.) by striking out the following: "1999." and
 inserting in its place the following: '2000'
 Further amend the bill by relettering or renumbering any
 nonconsecutive Part letter or section number to read
 consecutively.

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

FISCAL NOTE

2000-01

APPROPRIATIONS/ALLOCATIONS

General Fund	\$567,510
Highway Fund	54,450

This bill will increase the unfunded liability of the Maine State Retirement System if state employee and teacher members choose to participate in a defined contribution plan. Pursuant to the Constitution of Maine, Article IX, Section 18-A, unfunded liabilities may not be created except those that result from experience losses. The Maine State Retirement System may require a one-time additional General Fund appropriation and a Highway Fund allocation to fund the additional unfunded liability that may be created. The amounts can not be determined at this time. The cost to accounts in other funds may require increased allotments to meet the additional personal services expenditures.

The computerization of MSRS records and calculation of the present value of present members' future retirement benefits under the current retirement plan is estimated to cost \$750,000 in fiscal year 2000-01. This bill includes a one-time General Fund appropriation of \$147,510 and a Highway Fund allocation of \$54,450 in fiscal year 2000-01 to the Maine State Retirement System for the portion of the costs attributable to state employees and a General Fund appropriation of \$420,000 to the Teacher Retirement account in the Department of Education in fiscal year 2000-01 for the portion of the cost attributable to teachers. The cost to accounts in other funds, estimated to be \$128,040, may require increased allotments to meet these additional expenditures.

The Department of Administrative and Financial Services will incur additional costs to implement an optional defined contribution plan. The amount of the additional costs will depend on the number of state employees choosing to participate. The bill requires the participants to pay for the administrative costs. The initial costs associated with contractor bidding and selection of one or more firms to offer defined contribution retirement plans can be absorbed by the department within existing budgeted resources.'

R. of S.

2

SUMMARY

4

6 This amendment is the minority report of the committee. The
8 amendment makes participation in the defined contribution plan
10 established in the bill optional for state employees and
12 teachers, provides for a range of investment options for
14 participants, provides for disability and death benefits for
16 participants, requires continued payment of the existing unfunded
18 liability of the retirement system by the state contribution on
20 behalf of participants, clarifies participant and employer
contributions rates, prescribes the bidding process for selection
of contract providers to manage the defined contribution plan and
appropriates money to contract with providers to perform the
calculation of the present value of current members' future
retirement benefits necessary for the transition from the current
defined benefit plan to the new defined contribution plan
provided in the bill. The amendment also makes several technical
amendments to the bill to allow implementation by July 1, 2001.

22

The amendment adds a fiscal note to the bill.

COMMITTEE AMENDMENT