

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1603

H.P. 1125

House of Representatives, March 21, 2007

### **An Act To Make Actuarially Fair Adjustments in Retirement Benefits for Older Employees**

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Reference to the Committee on Labor suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative WOODBURY of Yarmouth.

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

2 **Sec. 1. 5 MRSA §17851, sub-§1-B**, as amended by PL 1999, c. 756, §10, is  
3 further amended to read:

4 **1-B. Member in service at retirement; 10 years of creditable service on July 1,**  
5 **1993.** A member who on July 1, 1993, had 10 years of creditable service and who is in  
6 service at retirement, or a member who on July 1, 1993 had reached ~~60 years of the~~ age  
7 requirement under subsection 16, paragraph A and had been in service for a minimum of  
8 one year immediately before July 1, 1993 and has been in service for a minimum of one  
9 year immediately before retirement, qualifies for a service retirement benefit if the  
10 member retires upon or after reaching ~~60 years of the~~ age requirement under subsection  
11 16, paragraph A. For the purpose of determining completion of the 10-year requirement,  
12 the 10 years of creditable service may include creditable service as a member of the  
13 Maine Legislative Retirement System under Title 3, section 701, subsection 8.

14 A. Effective October 1, 1999, the creditable service and age requirements of this  
15 subsection may not be increased for a member who on or before October 1, 1999 met  
16 either of the requirements for eligibility for service retirement benefits under this  
17 subsection, whether or not the member is in service on October 1, 1999.

18 B. For the purpose of calculating creditable service under this subsection only,  
19 creditable service includes time during which a member participated in the voluntary  
20 cost savings plan or the voluntary employee incentive program, authorized by Public  
21 Law 1989, chapter 702, Part F, section 6 and Public Law 1991, chapter 591, Part BB  
22 and chapter 780, Part VV, or 10 years of combined creditable service under this Part  
23 and Title 3, chapter 29, or creditable service available to a member that the member  
24 was eligible to purchase on June 30, 1993 and that the member does purchase in  
25 accordance with rules adopted by the board.

26 **Sec. 2. 5 MRSA §17851, sub-§1-C**, as amended by PL 1999, c. 756, §11, is  
27 further amended to read:

28 **1-C. Member in service at retirement; fewer than 10 years creditable service on**  
29 **July 1, 1993.** A member who on July 1, 1993, had neither 10 years of creditable service  
30 nor had reached ~~60 years of the~~ age requirement under subsection 16, paragraph A with  
31 one year of creditable service immediately before July 1, 1993 who is in service at  
32 retirement, qualifies for a service retirement benefit if the member retires upon or after  
33 reaching ~~62 years of the~~ age requirement under subsection 16, paragraph B and:

34 A. Has been in service for a minimum of one year immediately before retirement or  
35 has at least 10 years of creditable service, which, for the purpose of determining  
36 completion of the 10-year requirement, may include creditable service as a member  
37 of the Maine Legislative Retirement System under Title 3, section 701, subsection 8;  
38 or

39 B. Effective October 1, 1999, is in service on October 1, 1999 and had fewer than  
40 10 years of creditable service on July 1, 1993, including any person who was not in  
41 service on July 1, 1993, and:

- 1 (1) Is in service upon or after reaching ~~62 years of~~ the age requirement under  
2 subsection 16, paragraph B;
- 3 (2) Has been in service for a minimum of one year immediately before  
4 retirement or has at least 5 years of creditable service, which, for the purpose of  
5 determining completion of the 5-year requirement, may include creditable service  
6 as a member of the Maine Legislative Retirement System under Title 3, section  
7 701, subsection 8; and
- 8 (3) Meets the applicability requirements of subsection 3-A.

9 When a member has met either of the creditable service requirements set out in either  
10 paragraph A or paragraph B, subparagraph (2) for eligibility to receive a service  
11 retirement benefit under this subsection, the creditable service and age requirements of  
12 this subsection may not be increased for that member.

13 **Sec. 3. 5 MRSA §17851, sub-§2-B**, as amended by PL 1999, c. 756, §12, is  
14 further amended to read:

15 **2-B. Member not in service at retirement; 10 years of creditable service on July**  
16 **1, 1993.** A member who on July 1, 1993 had 10 years of creditable service and who is  
17 not in service at retirement qualifies for a service retirement benefit upon or after  
18 reaching ~~60 years of the age requirement under subsection 16, paragraph A~~. For the  
19 purpose of determining completion of the 10-year requirement, the 10 years of creditable  
20 service may include creditable service as a member of the Maine Legislative Retirement  
21 System under Title 3, section 701, subsection 8.

22 A. Effective October 1, 1999, the creditable service and age requirements of this  
23 subsection may not be increased for a member who on or before October 1, 1999 met  
24 the creditable service requirements for eligibility for service retirement benefits under  
25 this subsection, whether or not the member is in service on October 1, 1999.

26 B. For the purpose of calculating creditable service under this subsection only,  
27 creditable service includes time during which a member participated in the voluntary  
28 cost savings plan or the voluntary employee incentive program, authorized by Public  
29 Law 1989, chapter 702, Part F, section 6 and Public Law 1991, chapter 591, Part BB  
30 and chapter 780, Part VV, or 10 years of combined creditable service under this Part  
31 and Title 3, chapter 29 or creditable service available to a member that the member  
32 was eligible to purchase on June 30, 1993 and that the member does purchase in  
33 accordance with rules adopted by the board.

34 **Sec. 4. 5 MRSA §17851, sub-§2-C**, as amended by PL 1999, c. 756, §13, is  
35 further amended to read:

36 **2-C. Member not in service at retirement; fewer than 10 years creditable**  
37 **service on July 1, 1993.** A member who on July 1, 1993, did not have 10 years of  
38 creditable service and who is not in service at retirement qualifies for a service retirement  
39 benefit if the member retires upon or after reaching ~~62 years of~~ the age requirement under  
40 subsection 16, paragraph B and:

- 1 A. Has at least 10 years of creditable service, which, for the purpose of determining  
2 completion of the 10-year requirement, may include creditable service as a member  
3 of the Maine Legislative Retirement System under Title 3, section 701, subsection 8;  
4 or
- 5 B. Effective October 1, 1999, is in service on October 1, 1999, had left service prior  
6 to October 1, 1999 with or without withdrawing that member's contributions and on  
7 or after October 1, 1999 returns to service or is first in service on or after October 1,  
8 1999 and:
- 9 (1) Has reached ~~62 years of the age~~ requirement under subsection 16, paragraph  
10 B; and
- 11 (2) Has at least 5 years of creditable service, which, for the purpose of  
12 determining completion of the 5-year requirement, may include creditable service  
13 as a member of the Maine Legislative Retirement System under Title 3, section  
14 701, subsection 8.

15 When a member has met the creditable service requirement set out in paragraph A or  
16 paragraph B, subparagraph (2) for eligibility to receive a service retirement benefit under  
17 this subsection, the creditable service and age requirements of this subsection may not be  
18 increased for that member.

19 **Sec. 5. 5 MRSA §17851, sub-§16** is enacted to read:

20 **16. Age requirement.** The board annually shall update the age requirement based  
21 upon life expectancy as detailed by the federal Centers for Disease Control and  
22 Prevention, National Center for Health Statistics, for which the required age is  
23 determined by:

- 24 A. A remaining life expectancy of 22 years and 2 months; or  
25 B. A remaining life expectancy of 20 years and 7 months.

26 **Sec. 6. 5 MRSA §17858-C** is enacted to read:

27 **§17858-C. Service after retirement age**

28 A member who continues to work after retirement age determined pursuant to section  
29 17851, subsection 16 may receive upon retirement an additional benefit of 6% of the  
30 retirement benefit allowed under this chapter for every year of creditable service  
31 subsequent to the member's retirement.

## 32 SUMMARY

33 Sections 1 through 5 of the bill replace the current retirement system for state  
34 employees, which provides for normal retirement benefits beginning at age 60 or 62, with  
35 a system that indexes the age of eligibility to the number of years of remaining life  
36 expectancy. The reform is calibrated to retain the identical retirement age for those  
37 individuals retiring this year. For those currently eligible for retirement benefits at age  
38 60, the indexed system would provide normal benefits at the age when there are 22 years

1 and 2 months of remaining life expectancy. For those currently eligible for retirement  
2 benefits at age 62, the indexed system would provide normal benefits at the age when  
3 there are 20 years and 7 months of remaining life expectancy. These ages of eligibility  
4 would be revised annually, based on life expectancy statistics maintained by the National  
5 Center for Health Statistics.

6 Section 6 of the bill provides for a 6% increase in the retirement benefit amount for  
7 each year that an employee works after the normal retirement age. This adjustment  
8 prevents older workers from losing the actuarial value of their accumulated benefits if  
9 they continue to work beyond the normal retirement age.