

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)

1 L.D. 1693
2 Date: 4-16-08 (Filing No. S- 652)

3 Reproduced and distributed under the direction of the Secretary of the Senate.

4 STATE OF MAINE
5 SENATE
6 123RD LEGISLATURE
7 FIRST SPECIAL SESSION

8 SENATE AMENDMENT "G" to COMMITTEE AMENDMENT "A" to S.P. 600,
9 L.D. 1693, Bill, "An Act To Restore Equity to the Maine State Retirement System"

10 Amend the amendment by inserting after the substitute title the following:

11 'PART A'

12 Amend the amendment by inserting after section 15 the following:

13 'PART B'

14 **Sec. B-1. Design of unified pension and benefit plan for all state**
15 **employees and teachers who are first employed with the State after**
16 **December 31, 2009.** The Maine Public Employees Retirement System, the
17 Commissioner of Administrative and Financial Services and the State Employee Health
18 Commission, collectively referred to in this Part as "the task force," shall, within their
19 existing resources, design in accordance with this Part a unified pension and benefit plan,
20 referred to in this Part as "the plan," to apply to all state employees and teachers who are
21 first hired after December 31, 2009 with no prior creditable service.

22 **1. Definitions.** For purposes of this Part, the following terms have the following
23 meanings.

24 A. "Teacher" has the same meaning as in the Maine Revised Statutes, Title 5, section
25 17001, subsection 42.

26 B. "State employee" includes:

- 27 (1) Employees as defined in Title 5, section 17001, subsection 40;
28 (2) Judges entitled to retirement benefits under Title 4, chapter 27 or 29;
29 (3) Members of the State Police; and
30 (4) Legislators entitled to retirement benefits under Title 3, chapter 29.

31 **2. Health plan.** The task force shall design the health plan component of the plan in
32 accordance with this subsection.

1 A. All active members of the plan and their dependents must be entitled to
 2 membership in the health plan. Assessments for coverage under the health plan must
 3 be imposed and budgeted in accordance with Title 5, section 286-A. The proportion
 4 of the assessment paid on behalf of members by their employers must be in
 5 accordance with the law existing on the effective date of this Part or in accordance
 6 with applicable collective bargaining agreements.

7 B. Every active member of the plan and the spouse and dependents of each such
 8 member may continue coverage under the health plan in retirement if criteria for
 9 eligibility are met as prescribed in Title 5, section 285, subsection 1-A. The task force
 10 may recommend changes in eligibility criteria.

11 C. The health plan premium for any eligible retired member and any covered spouse
 12 or dependent of the member must be paid from the Bureau of Human Resources'
 13 State Employee Health Dedicated Revenue Account established in Title 5, section
 14 286-A. Each retired member must be entitled to 3% of the premium for each year of
 15 creditable service up to a maximum of 90% of the total premium. For a covered
 16 spouse or dependent, the subsidy is 1.5% of the premium for each year of the
 17 member's creditable service up to a maximum of 45% of the premium.

18 D. The present actuarial cost of the future benefit subsidy for retired state employees
 19 and teachers must be paid one-half by the employee and one-half by the employer.
 20 Payments as calculated and assessed by the Commissioner of Administrative and
 21 Financial Services must be remitted on a regular and periodic basis to the State
 22 Employee Health Dedicated Revenue Account established in Title 5, section 286-A.

23 **3. Pension plan.** The task force shall design the pension plan component of the plan
 24 in accordance with this subsection.

25 A. Every member of the plan must contribute to both Social Security and Medicare,
 26 and the employer of each member must contribute the employer's share of Social
 27 Security and Medicare.

28 B. Each active member of the plan must be entitled to a supplemental defined benefit
 29 pension calculated as a percentage of base compensation for each year of service.
 30 Base compensation equals the income received in the 5th highest calendar year of
 31 service. Benefits are vested after 6 years.

32 C. Normal pension benefits commence after 30 years of service or at 62 years of age,
 33 whichever occurs first.

34 D. A member who separates from service before normal retirement may:

35 (1) If the member has at least 6 years of service in the plan, leave the member's
 36 contributions and interest on account in the plan until the member retires at 62
 37 years of age, with those benefits adjusted each year by an amount equal to the
 38 Consumer Price Index, up to an annual maximum of 3.5%;

39 (2) Withdraw 1.5 times the amount of the member's own contributions, plus 6%
 40 interest, with the option to roll the amount withdrawn into a tax-sheltered
 41 account;

42 (3) Purchase one or more irrevocable annuities or, with a spouse, joint life
 43 annuities, to commence at any future time and to end either at death or at the

annuitant's normal retirement age for Social Security. The annuity values must equal 1.8 times the member's own contributions plus 6% interest. The Maine Public Employees Retirement System may serve as the annuity underwriter; or

(4) Use a combination of the options under paragraphs B and C.

E. The actuarial cost of retiree health insurance and supplemental defined pension benefits, when combined, may not exceed 6% of aggregate payroll for all members. The cost of the plan must be divided equally between the member and the member's employer.

F. The actuarial cost of the retiree health benefit, expressed as a percentage of payroll, must be deducted from the 6% payroll charge, and the remainder must be allocated to the funding of a defined benefit system that will be expressed as a percentage of base payroll, rounded to the nearest tenth of a percent.

Sec. B-2. Report. The task force shall submit a report on its design of the plan, together with any necessary implementing legislation, to the joint standing committee of the Legislature having jurisdiction over labor matters by December 10, 2008. After receipt and review of the report, the joint standing committee may report out a bill to the First Regular Session of the 124th Legislature.'

Amend the amendment by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

SUMMARY

This amendment directs the Maine Public Employees Retirement System, the Commissioner of Administrative and Financial Services and the State Employee Health Commission, within their existing resources, to design a unified pension and benefit plan to apply to all state employees and teachers that are first hired after December 31, 2009. Under this unified pension and benefit plan:

1. In order to enhance portability of benefits and eliminate the issues associated with the government pension offset and the windfall elimination provision of the federal Social Security Act, every state employee and teacher subject to the plan will be covered under Social Security;

2. All new employees will be members of a common health plan with benefits that are identical to those paid for in accordance with current law and collective bargaining contracts;

3. In addition to Medicare and Social Security, each member will be entitled to a supplemental defined pension and retiree health benefit;

4. The present actuarial cost of retiree benefits under the plan will be limited to 6% of payroll to be divided equally between the employee and the employer;

5. Continuing health coverage will be offered to retirees and their dependents;

6. A retired member may receive a subsidy of up to 90% of the cost for the retiree's own insurance and up to 45% of the cost of a spouse or dependent. The level of subsidy will be graduated to reflect length of service;

R. of S.

SENATE AMENDMENT "G" to COMMITTEE AMENDMENT "A" to S.P. 600, L.D. 1693

1 7. The future cost of retiree health benefits will be paid into an existing dedicated
2 revenue account by assessing the current payroll of active members a percentage that is
3 divided equally between the member and the member's employer;

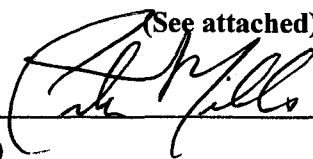
4 8. Each member's supplemental defined pension will be calculated as a percentage of
5 base year compensation times years of service. The percentage, rounded to the nearest
6 tenth, will be calculated based on funding available after deducting the cost of the retiree
7 health benefit from the 6% total benefit cost; and

8 9. A vested member may retire after 30 years of service or at 62 years of age,
9 whichever occurs first. A member who retires early may recover 1.5% of the member's
10 own contribution plus 6% interest if benefits are withdrawn as cash.

11 The amendment directs the Maine Public Employees Retirement System, the
12 Commissioner of Administrative and Financial Services and the State Employee Health
13 Commission to submit their report on the design of the unified pension and benefit plan,
14 together with proposed implementing legislation, to the joint standing committee of the
15 Legislature having jurisdiction over labor matters no later than December 10, 2008 and
16 authorizes the committee to report out a bill to the First Regular Session of the 124th
17 Legislature.

18 **FISCAL NOTE REQUIRED**

19 (See attached)

20 **SPONSORED BY:** 
21 (Senator MILLS, P.)

22 **COUNTY: Somerset**



123rd MAINE LEGISLATURE

LD 1693

LR 2016(10)

An Act To Restore Equity to the Maine State Retirement System

Fiscal Note for Senate Amendment "G" to Committee Amendment "A"

Sponsor: Sen. Mills, P. of Somerset

Fiscal Note Required: Yes

Fiscal Note

Fiscal Detail and Notes

This amendment does not impact the General Fund cost of the bill.

This amendment requires the Maine Public Employees Retirement System (MainePERS), the Department of Administrative and Financial Services and the State Employee Health Commission to, within existing resources, design a unified pension and benefit plan to be applied to all state employees and teachers who are first hired after December 31, 2009 with no prior creditable service.

The ability of the MainePERS to absorb the additional cost of the actuarial services necessary to design the new pension plan without impacting other actuarial analyses can not be determined at this time.

Additional costs to the State Health Benefits Program and the Department of Administrative and Financial Services associated with working with the Maine Public Employees Retirement Plan to design a unified pension and benefit can be absorbed within existing budgeted resources.