126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document	**No. 1514**
S.P. 572	In Senate, May 7, 2013

An Act To Reform the Maine Public Employees Retirement System

(EMERGENCY)

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator WOODBURY of Cumberland.

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

CONCEPT DRAFT

SUMMARY

This bill is a concept draft pursuant to Joint Rule 208.

This bill as emergency legislation proposes to amend the retirement provisions for state employees and teachers participating in the Maine Public Employees Retirement System in the following ways.

1. Cost-of-living adjustments. The bill would increase the cost-of-living adjustment formula for all individuals receiving a pension benefit from the State.

A. The base on which the cost-of-living adjustment, or COLA, is awarded would be the member's benefit up to the maximum allowable social security benefit at the member's normal retirement age under the federal social security laws. For an individual retiring in 2013, the pension amount eligible for the COLA would increase from $20,000 to $30,156.

B. The COLA would be calculated using the index used by the United States Social Security Administration but would be capped at 4%.

C. At retirement, members would be given a payout option that would provide a full COLA, not subject to the 4% cap and not subject to the reduced benefit base. The full COLA payout option would be self-funded by requiring an actuarially equivalent reduction in the initial benefit payout amount.

D. The increased COLA formula for individuals already receiving a retirement pension from the State would be applied prospectively only, beginning on July 1, 2013.

2. Deferred retirement. The bill would increase the pension amount for individuals choosing to defer retirement until after the normal retirement age specified in the State Employee and Teacher Retirement Program. The intent of this provision is to increase the flexibility of the program for employees choosing retirement at any age and to increase the financial benefits from continuing to work.

A. The normal retirement age would remain unchanged at 60, 62 or 65 years of age, depending on the year a member became vested in the program.

B. Members initiating payments before the normal retirement age would continue to receive a 1/2% reduction in the benefit amount for each month that the member retires early.

C. A member retiring after the normal retirement age would receive a 1/2% increase in the benefit amount for each month that the member defers retirement after the normal retirement age, up to 70 years of age. The percentage increase would be in addition to the increase in service credit.

3. Service credit. The baseline pension formula for retirement at the normal retirement age would provide a benefit amount of 2% of final average salary per year of service through June 30, 2013, plus 1.5% of final average salary per year of service after June 30, 2013.

4. Defined contribution plan. A state employee or teacher would automatically be enrolled in an opt-out defined contribution plan with a default employee contribution rate of 4% of salary. The State or the participating local school district would match 25% of the employee's or teacher's contribution, up to a maximum of 2% of the employee's or teacher's salary.