

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

FIRST REGULAR SESSION-2017

Legislative Document

No. 929

H.P. 657

House of Representatives, March 9, 2017

An Act Regarding the State Retirement System

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

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative DAUGHTRY of Brunswick.

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

2 **Sec. 1. 5 MRSA §17001, sub-§13, ¶C**, as repealed and replaced by PL 1999, c.
3 489, §2, is amended to read:

4 C. The following provisions govern limitations on earnable compensation.

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

26 (2) Effective October 1, 1999, the 5% limitation and the 10% limitation on
27 increases in earnable compensation set out in subparagraph (1) may not be
28 changed to a lower percentage for members who, on October 1, 1999 or
29 thereafter, meet the creditable service requirement for eligibility to receive a
30 service retirement benefit, at the applicable age if so required, under section
31 17851 or section 17851-A, subsection 2.

32 (3) If, during any year, an employee receives payment for compensation earned
33 in a prior year or years, earnable compensation must be calculated according to
34 this subparagraph. The portion of the employee's compensation that is
35 retrospective payment for compensation earned in a prior year or years must be
36 deducted from earnable compensation for the year in which it is paid and must be
37 added to earnable compensation for the prior year or years in which that
38 compensation was earned.

39 **SUMMARY**

40 This bill amends the definition of "earnable compensation" for the purposes of the
41 state retirement system. The bill provides that if, during any year, an employee receives
42 retrospective payment for compensation earned in a prior year or years, the portion of the

1 employee's compensation that is retrospective payment for compensation earned in a
2 prior year or years must be deducted from earnable compensation for the year in which it
3 is paid and must be added to earnable compensation for the prior year or years in which
4 that compensation was earned.