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**STATE OF MAINE  
121st LEGISLATURE  
SECOND REGULAR SESSION**

**Final Report  
of the  
Task Force to Study Parity and Portability  
Of Retirement Benefits  
For State Law Enforcement Officers,  
Municipal and County Law Enforcement  
Officers And Firefighters**

**December 2004**

**Members:**

**Sen. Beth Edmonds, Chair  
Rep. Robert Duplessie, Chair  
Sen. Kenneth Blais  
Rep. Peter Mills  
Stephen Butterfield  
Jim Fahey  
Kevin Joyce  
Michael Williams**

**Staff:**

**Deborah C. Friedman, Senior Analyst  
Office of Policy & Legal Analysis  
Maine Legislature  
(207) 287-1670**

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## **Executive Summary**

The Task Force to Study Parity and Portability of Retirement Benefits for State Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters was created by Resolve 2003, chapter 76 in the 1<sup>st</sup> Regular Session of the 121<sup>st</sup> Legislature. The Task Force consisted of 8 members, including 4 legislators, and representatives of state, county and municipal law enforcement officers and municipal firefighters.

### **Problems presented**

The Task Force reviewed the variation in retirement and retiree health insurance benefits among law enforcement officers employed by different levels of government, and among local law enforcement officers and firefighters in different municipalities and counties. Task Force members identified the lack of employer-paid retiree health insurance at the local level as the most significant deterrent to recruitment and retention of new law enforcement officers and firefighters. The cost of retiree health insurance may also cause some officers and firefighters to continue working after they are eligible to retire because they cannot afford to pay for retiree health insurance.

The lack of portability of retirement benefits in certain situations may result in lower retirement benefits for job-changers, or may deter people from changing jobs. Retirement benefits are portable for people who move among municipal and county employers in the Maine State Retirement System Consolidated Plan, but are not portable in other situations.

### **Consideration of a uniform retirement plan**

As required by its implementing legislation, the Task Force reviewed the uniform retirement plan for New Hampshire state and local employees. That plan provides for higher benefits than most Maine plans, and is portable because it covers all local and state law enforcement officers and firefighters in a single plan. However, given the cost and administrative difficulties of implementing a uniform plan, the Task Force did not pursue creation of a New-Hampshire-type plan for Maine law enforcement officers and firefighters.

### **Recommendations:**

To address equality and portability problems, the Task Force recommends:

#### **Retiree Health Insurance**

- That the State pay a subsidy toward the cost of health insurance for retired county and municipal law enforcement officers and municipal firefighters who retire from certain Maine State Retirement System plans. Current and future retirees would be eligible for the subsidy, which would pay 100% of the cost of retiree coverage, up to a maximum of the amount paid for state retiree health insurance coverage. Law enforcement officers would be eligible for the subsidy if they are retired from a MSRS plan that provides a retirement benefit at least as favorable as 50% of average final compensation after 25 years of service;

- That the subsidy be funded by employee contributions (1.5% of compensation for active law enforcement officers and firefighters who participate in plans that qualify for the subsidy), as well as by a tax on premiums paid for certain types of property and casualty insurance, including commercial and private auto insurance, and commercial and homeowner multiple peril insurance (1/2 of 1% of premium);
- That the Bureau of Insurance develop options for collecting contributions toward the subsidy from businesses that do not pay premiums for coverage of the types of risks covered by auto insurance, and property-related insurance. Options might include a tax on imputed premium, or a tax on the value of certain property; and

#### **Portability of Retirement Benefits**

- That state and local law enforcement officers and firefighters who move among certain MSRS-administered retirement plans be given the option of purchasing full or partial portability when they move to a retirement plan that does not otherwise provide for portability.

The Task Force report includes recommended legislation to implement these recommendations.

## **I. INTRODUCTION**

The Task Force to Study Parity and Portability of Retirement Benefits for State Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters was created by Resolve 2003, chapter 76 in the 1<sup>st</sup> Regular Session of the 121<sup>st</sup> Legislature. The Task Force consisted of the following 8 members: 2 Senators, 2 members of the House of Representatives, and representatives, one each, of state, county and municipal law enforcement officers and municipal firefighters.

The Task Force was directed to review the differences in retirement benefits provided to law enforcement officers employed by different levels of government, develop options for providing parity and increasing portability of retirement benefits for officers moving among levels of government and among municipalities, to review differences in retirement and health benefits for municipal law enforcement officers and firefighters in different municipalities and consider creation of a uniform retirement and health insurance benefit for those municipal employees.

The Task Force first met during the 2003 interim, and received permission from the Legislative Council to continue its work in the 2004 interim. The Task Force met in 2003 on November 10<sup>th</sup>, and in 2004 on January 6<sup>th</sup>, January 26<sup>th</sup>, August 11<sup>th</sup>, September 29<sup>th</sup> and November 12<sup>th</sup>.

Task Force members invited the following to provide information regarding the study topics: Mike Burke, District Manager, U.S. Social Security Administration; David Barrett, Manager of Personnel Services and Labor Relations for Maine Municipal Association; Gail Drake Wright, Chief Deputy Director of the Maine State Retirement System; Kathy Morin, Assistant to the Chief Deputy Director of the Maine State Retirement System; and Frank Johnson, Executive Director, Division of Employee Health and Benefits, Department of Administrative and Financial Services.

## **II. BACKGROUND**

### **A. Statement of the problem**

Retirement benefits and retiree health insurance benefits for law enforcement officers and firefighters vary greatly among the different levels of government in Maine, and among municipalities. Local<sup>1</sup> law enforcement officers and firefighters usually have less generous retirement benefit packages than those provided to State law enforcement officers in Maine and to state and local law enforcement officers in New Hampshire.<sup>2</sup> Lack of employer-paid

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<sup>1</sup> As used in this report, "local" includes municipal and county.

<sup>2</sup> Some municipalities provide retirement plans for law enforcement officers and firefighters that are at least as generous as State law enforcement officer plans, and possibly more generous. For example, Special Plan #3 provides for payment of 2/3 of AFC after 25 years of service, a higher benefit than the State Police plan of 50% after 25 years.

retiree health insurance for local law enforcement officers and firefighters is especially significant.

The inequality of retirement benefits makes it difficult to recruit and retain local law enforcement officers, according to Task Force members, who cited examples of losing municipal police officers to the State Police and to other states with more generous retirement benefits. They also cited examples of difficulty in filling vacant positions. Kevin Joyce, the Task Force member representing county law enforcement officers, reported that it took 2 months to fill 2 vacant positions in the Cumberland County Sheriff's Office, and he cited lack of employer-paid retiree health insurance as a major stumbling block to recruitment.

Lack of employer-paid retiree health insurance for local law enforcement officers may also lead some to continue working past the time they become eligible to retire, in order to continue to receive health insurance coverage at an affordable cost. Paying the full cost of retiree health insurance, say Task Force members, can easily consume a major portion of a person's monthly retirement benefit.

Lack of portability of retirement service credits also discourages law enforcement officers and firefighters from changing employers. This is true of changes between state and local employment, but also changes among municipalities with different retirement systems that do not provide for portability. The federal windfall elimination provision and government pension offset, both offsets against Social Security, may also discourage movement among jobs.

## **B. Current benefits offered to law enforcement officers and firefighters**

### **1. Retirement – State Law Enforcement Officers**

Retirement plans for state law enforcement officers, including State Police, Game Wardens and Marine Patrol officers, are set by Maine law and administered by the Maine State Retirement System (MSRS).

State law enforcement officers are covered by one of a variety of MSRS plans, depending on job category and date of hire. Most state law enforcement officers are covered by a so-called "special plan," meaning that they can retire earlier, with fewer years of service, and/or with a better benefit, than other state employees. Like other state employees, state law enforcement officers do not participate in Social Security.

The following are examples of retirement plans applicable to state law enforcement officers:

- **State Police hired before 9/16/84** can retire with 20 years of service, at any age, with a benefit of  $\frac{1}{2}$  of their average final compensation (AFC), plus 2% of AFC for each year of service in excess of 20.

- **State Police hired on or after 9/16/84** can retire with 25 years of service, at any age, with a benefit of 2% of AFC for each year of service.
- **Officers in the “1998 Special Plan” (including forest rangers and certain corrections system employees)** can retire (1) with 25 years of service, at age 55, with a benefit of 2% of AFC per year, reduced if the person retires before normal retirement age<sup>3</sup>; or (2) with 10 years of service after 6/30/98, at age 55, with a benefit of 2% of AFC for each year of service, reduced if the person retires before age 55.
- **Marine Resources and Game Wardens hired after 8/31/84** can retire with 25 years of service, at any age, with a benefit of 2% for each year of service.

More complete information of MSRS retirement plans applicable to state law enforcement officers is found in Appendix C and D. Appendix C shows the MSRS retirement plans that would apply to a person hired today; Appendix D shows all MSRS plans applicable to state law enforcement officers.

## **2. Retirement – Local law enforcement officers and firefighters**

Municipalities and counties are not limited by Maine statute to specific retirement plans. They can choose any type of retirement plan for their employees, as long as the plan meets the federal legal requirement for a sufficient minimum retirement benefit.<sup>4</sup>

Municipalities are not required to participate in Social Security, but they must provide a retirement plan that yields a retirement benefit comparable to Social Security. Municipalities and counties can opt to have all or some of their employees participate in Social Security by signing a so-called “Section 218 agreement,” specifying which employees are covered. They can also offer defined benefit plans administered by the MSRS or by others, defined contribution plans, a combination of such plans or a combination of Social Security and other plans.

Because there is no central source of detailed information on the benefits provided by municipalities and counties, the Task Force was not able to gather data on the complete retirement packages offered to law enforcement officers and firefighters by each local government. The Task Force focused on information about the counties and municipalities that participate in the MSRS Consolidated Plan. The information may not present a complete picture<sup>5</sup>, but provides useful insight.

<sup>3</sup> In some cases, the retirement benefit is calculated as a split benefit, and the normal retirement age (NRA) for the pre-1998 service may be the NRA for a Regular MSRS plan (age 60 or 62), rather than 55.

<sup>4</sup> Federal law requires public employers to participate in Social Security, unless they can demonstrate that their alternative plans provide benefits comparable to the benefit provided by Social Security. 26 USC §3121(b)(7)(F). 26 CFR 31.3121(b)(7)-2.

<sup>5</sup> The information provided by the MSRS does not indicate whether the municipality offers supplemental retirement programs, such as deferred compensation plans (457 plans). It specifies which municipalities have signed a “Section 218” agreement to allow some employees to participate in Social Security, but it does not indicate whether the agreement grants that option to law enforcement officers or firefighters. Finally, the MSRS is not able to determine for all municipalities whether employees covered by a Regular Plan are law enforcement officers or firefighters.



The MSRS makes available 11 retirement plans<sup>6</sup> that a municipality or county might offer to law enforcement officers or firefighters: 3 Regular Plans and 8 Special Plans. The following chart explains the basic provisions of those plans. Additional information is provided in Appendix E, which describes the plans, and Appendix F, which lists specific municipalities and counties and which MSRS plan they offer to employees.

**Maine State Retirement System**  
**Options within the Consolidated Plan for Participating Local Districts**

<b>MSRS Plan</b>	<b>Requirement for Eligibility to Retire</b>	<b>Benefit Provided</b>
Regular Plan A	Age 60; or 25 years of service with a reduced benefit for retiring before age 60	(2% of AFC) x (Years of Service) with or without a cost-of-living adjustment
Regular Plan B	Age 60; or 25 years of service with a reduced benefit for retiring before age 60	(1% of AFC) x (Years of Service) with a cost-of-living adjustment
Special Plan #1	20 years of service, at any age	½ of AFC plus 2% of AFC per year in excess of 20, with or without a COLA
Special Plan #2	25 years of service, at any age	½ of AFC plus 2% of AFC per year in excess of 25, with or without a COLA
Special Plan #3	25 years of service, at any age	2/3 of AFC plus 2% of AFC per year in excess of 25, with or without a COLA
Special Plan #4	Age 55 and 25 years of service	(2% of AFC) x (Years of Service), with or without a COLA

According to the MSRS, there are currently more than 2,100 municipal and county law enforcement officers and municipal firefighters participating in these MSRS retirement plans. An exact number is difficult to obtain because, in some situations, municipalities do not provide a specific code for each covered employee, and law enforcement officers and firefighters may participate in the same plans as other employees. The following information summarizes the prevalence of MSRS retirement plans for new hires in counties and municipalities.

<sup>6</sup> The plans described in this report are plans within the Participating Local District (PLD) Consolidated Plan. Some municipalities and counties have individual MSRS plans, but most are in the Consolidated Plan.

### **County law enforcement**

- 13 of 16 counties in Maine offer MSRS retirement plans to their law enforcement employees (sheriffs and deputy sheriffs).
  - 5 offer a Special Plan
  - 8 offer a Regular Plan
- Knox, Franklin and Somerset counties do not participate in MSRS plans for new hires.

### **Municipal law enforcement**

- Maine has 116 municipal police departments<sup>7</sup> and 2 tribal police departments.
- 81 of the 116 municipal police departments offer MSRS plans.
  - 41 offer a Special Plan
  - 40 offer a Regular Plan
- Most of the larger police departments in the State – those with more than 40 full-time officers<sup>8</sup> – offer Special Plan #2, which provides for retirement after 25 years of service, at any age, with a benefit of ½ of average final compensation.

### **Municipal firefighters**

- Most Maine communities have all-volunteer firefighting departments, and do not provide retirement benefits to volunteers.
- Approximately 64 communities have fire departments containing one or more career firefighters<sup>9</sup>. All but 18 participate in one of the MSRS retirement plans.
- 7 of the 8 municipalities with all-career or mostly-career firefighting departments participate in MSRS retirement plans.
  - Portland, Augusta, Auburn, Brunswick and Old Town cover their career firefighters under Special Plan #2, with all but Old Town providing for cost-of-living adjustments.
  - Gardiner offers Special Plan #3 without cost-of-living adjustments.
  - Lewiston provides Regular Plan A with cost-of-living adjustments.
  - Bangor has a non-MSRS retirement plan, but has some grandfathered firefighters and law enforcement officers in Special Plan #2.
- 38 of the 56 communities with mostly-volunteer fire departments offer MSRS retirement plans to their career firefighters.
  - 20 communities participate in Regular MSRS Plans.
  - 18 are in special plans, about evenly divided between Special Plans #2, 3 and 4.

The list above summarizes the MSRS plans that apply to new hires. Some municipalities and counties that have withdrawn from the MSRS have employees who continue to participate as grandfathered employees in MSRS plans. Some municipalities and

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<sup>7</sup> Based on information provided by the Maine Chiefs of Police Association

<sup>8</sup> Based on the Full-Time Officer Report, Maine Criminal Justice Academy.

<sup>9</sup> Based on information provided by the Office of the State Fire Marshal

counties remain within the MSRS, but have different plans for employees hired before a certain date than for employees hired after a certain date.

### **3. Retiree Health Insurance -- State law enforcement officers**

State law enforcement officers are generally eligible for 100% state-paid retiree health insurance as long as they meet the eligibility criteria applicable to all state employees: i.e., they must have participated in the state health insurance plan for at least one year prior to retiring and must be drawing a retirement benefit from the MSRS.

In some cases, the State pays less than 100% of the cost of the retiree's coverage. If a person was first hired after July 1, 1991 and participates in the state health plan for fewer than 5 years before retirement, the person may participate in the state health insurance plan after retirement, but the State makes no contribution toward the premium. With 5 years of participation, the State pays 50% of the premium for retiree coverage, at 6 years, 60% and so on until at 10 years, the State pays the full cost of retiree coverage.

State retirees who are not yet eligible for Medicare are enrolled in the same group health insurance plan as active state employees, which is currently an Anthem HMO Choice plan. Medicare-eligible employees have a Group Companion Plan that supplements Medicare Parts A and B.

### **4. Retiree Health Insurance -- Municipal firefighters and municipal and county law enforcement officers**

Municipalities and counties are not required to provide health insurance to their active or retired law enforcement officers and firefighters. However, if they provide health insurance to active police officers, they must allow those officers to participate in the group plan after they retire.<sup>10</sup> The municipality or county is not required to contribute toward the premium cost.

Municipalities and counties insure their active law enforcement officers and firefighters through a variety of sources, including union-sponsored plans and the Maine Municipal Employee Health Trust (MMEHT), operated by the Maine Municipal Association. MMEHT is a self-funded pool that offers health, dental, life and disability insurance to local governments. The trust offers 5 different health insurance plans, and local units of government may elect to offer one of the plans to their employees. The cost of the plans varies, and employer contribution toward the cost is determined at the local level. MMA does not collect data on payment of premium by employers.

According to a MMEHT Census dated December, 2003, 264 municipalities and 10 counties participate in the MMEHT, including Auburn, Augusta, South Portland, Westbrook, Cumberland County, Kennebec County and others.

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<sup>10</sup> 30-A MRSA §2677

### **C. Impact on retirement benefits of changing jobs**

When retirement plans differ from employer to employer, a person who changes jobs may end up with a less generous retirement package than if he or she had not changed jobs. This occurs when the retirement plan to which he or she moves does not provide for portability. Portability is the ability to carry retirement benefits from one retirement plan to another.

When benefits are not portable, a person's eligibility to retire and retirement benefit are determined under each of his employer's retirement plans based on the number of years and compensation earned as a member of that retirement plan, without regard to other years or compensation.

Retirement benefits are not portable between State retirement plans and Consolidated Plan participating local district (PLD) plans, so a person who moves from a position of police officer in a municipality that participates in the Consolidated Plan to a position with the State Police might have a benefit calculated as follows.

#### **1. Example of the Impact of a Job Change on a Person's Retirement Benefit, without Portability**

Employee retires at age 53 after 30 years of service as a law enforcement officer (15 years of service as a Municipal Police Officer in MSRS Special Plan #2, followed by 15 years as a State Police Officer). Assume the employee's Average Final Compensation (AFC) was \$35,000 as a municipal police officer and \$52,000 as a State Police Officer.

This person did not meet the eligibility requirement for **either** of the Special Plans in which he participated (MSRS Special Plan #2 for PLDs and the State Police Special Plan). Therefore, his eligibility to retire and his retirement benefit are determined under the Regular PLD Plan and the Regular State Employee Plan, as follows:

##### ***Regular Municipal (PLD) Plan***

(2% of AFC) x (15 years),

Reduced by approx. 15% because of early retirement<sup>11</sup> = approx. \$8,925

##### ***Regular State Employee Plan***

(2% of AFC) x (15 years)

Reduced by approx. 15% because of early retirement<sup>12</sup> = \$13,260

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<sup>11</sup> Normal retirement age for the Regular PLD plan is 60, and a person's benefit is reduced by approximately 2-1/8% for each year prior to normal retirement age. He is retiring 7 years before NRA, so the reduction is approximately 15%.

<sup>12</sup> This calculation assumes that the person is a "pre-cliff" employee, i.e., he had 10 years of service as of July 1, 1993, so his normal retirement age is 60. Otherwise, his normal retirement age is 62 and he is retiring 9 years before NRA, and his benefit would be reduced by 6% for each year before NRA, for a total reduction of 63%.

*Total annual benefit calculated as a split benefit*  
 $\$13,260 + \$8,925 = \$22,185$

If the employee had remained a municipal police officer in the same retirement plan for 30 years, instead of changing jobs, his annual benefit might have been as follows:  $(2\% \text{ of AFC}) \times (30 \text{ years}) = \$31,200$ , or \$9,015 higher than under the previous scenario, assuming that his AFC rose to \$52,000. The higher benefit results from 2 factors. First, the employee would have qualified to retire under the PLD Special Plan because he had more than 25 years of service. As a retiree from Special Plan #2, he would not have suffered a reduction of his benefit due to early retirement, because a person can retire from Special Plan #2 at any age, as long as he has 25 years of service. In addition, the higher compensation earned in the later years of his career would be used in calculating the benefit for all his years of service, not just for his later years. Even if the employee's average final compensation had not risen as high as \$52,000, his final benefit would still likely be higher than the split benefit calculated in the previous example.

## **2. Types of portability**

The employee described above, who changed employers, would have had a different benefit calculation if the retirement plan to which he moved provided for portability. The impact of portability would depend on the type of portability provided by the plan to which he moved after the job change. The following describes various aspects of portability.

### **(a) Eligibility to retire**

Portability may allow a person to count years of service earned in an earlier retirement plan toward the number of years required for eligibility to retire from a later plan. Earlier service years may count on a one-for-one basis or on a percentage-basis. If years counted one-for-one, the person in the example above would have been able to count his 15 years as a municipal police officer toward the years-of-service requirement to retire as a State Police Officer (25 years). He would have been able to retire 5 years earlier, and his benefit from the State Police would have been calculated under the State Police Special Plan, without a reduction for early retirement (because there is no age requirement for State Police). As an alternative, years may also be converted into equivalent years, such as providing that each 3 years of service in a less valuable plan equals 2 years in a more valuable plan, for purposes of determining eligibility to retire.

### **(b) Calculation of the Benefit**

#### **Average final compensation**

Portability may also allow a person to take the highest 3 years of compensation with either employer in determining average final compensation when calculating both parts of his retirement benefit. Assuming that salaries increase later in a person's career, the ability to consider all years of compensation would result in a higher AFC

than if only compensation from each employer were considered in calculating the AFC applicable to those years of service.

**(c) Calculation of the Benefit**

**Split benefit calculation or Single calculation**

Years of service earned within a plan that provides for a less generous benefit, such as a Regular Plan, are of less value in producing a retirement benefit than years of service earned in a more generous plan, such as a Special Plan. So, when a person moves from a Regular Plan to a Special Plan, either the benefit is calculated in pieces, as a split benefit, or some adjustment is made to account for the difference in value of the years. For example, 12 years of service earned in Regular Plan A is, by statute, converted into 8 years in Special Plan #2. The benefit is then calculated in a single step, using the 8 years as the years of service component in the formula.

The chart in Appendix G provides additional information, including examples of MSRS retirement plans that provide for one or more types of portability.

**3. Impact on Retiree Health Insurance of changing jobs**

For a person who retires from an employer that provides retiree health insurance, changing jobs does not usually have an impact on retiree health insurance. Portability is usually not an issue when it comes to retiree health insurance, because the employee's years of service is not relevant to the amount of the benefit.

However, for a person who retires from state employment, the number of years of service matters in 2 situations.

First, if the person was first hired by the State after July 1, 1991, and has fewer than 10 years of participation in the group health plan, the State pays less than 100% of the cost of retiree coverage. With fewer than 5 years of participation in the group health plan, the person may participate in the group plan after retirement, but the State makes no contribution toward the cost. With 5 years of participation, the State pays 50% of the retiree cost, at 6 years, 60% and so on until, at 10 years, the State pays the full cost of retiree coverage.

Second, if a person leaves State employment before beginning to draw his MSRS benefit, the person is eligible to participate in the health insurance program at retirement only if that person had 25 years of service at the time he left state employment and meets one of 3 additional criteria set forth in the statute.<sup>13</sup>

**4. Impact of job change on Social Security**

Federal Social Security law may also deter movement between jobs. A person who moves between a job covered by Social Security and a job covered by the MSRS or other

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<sup>13</sup> 5 MRSA §285. The person must either pay the cost of coverage until retirement, demonstrate continuing coverage under a different health insurance plan prior to retirement, or elect at retirement to rejoin the plan and be subject to possible pre-existing condition exclusions.

government pension program in lieu of Social Security, and who has earned a retirement benefit from both programs, often suffers a reduction in his or her Social Security benefit. This reduction is referred to as the “Social Security Offset.” It results from a provision of federal law known as the “Windfall Elimination Provision” or “WEP.” The WEP is intended to ensure that the person’s Social Security benefit is calculated in a way that more accurately represents the person’s earnings.

The Social Security program is designed so that lower-wage workers receive a higher proportion of their average wage as a benefit than average-wage or higher-wage workers. The formula for a Social Security benefit for a person retiring in 2005<sup>14</sup> is:

90% of the first \$627 of the person’s average monthly earnings<sup>15</sup>, PLUS  
32% of the amount from \$628 to \$3,779, PLUS  
15% of the remainder.

The calculation assumes that the average earnings figure is an accurate reflection of the person’s earnings during his or her lifetime. But if a person has worked the majority of his or her career in government employment, and fewer than 30 years in a career covered by Social Security, the normal calculation underestimates the person’s earnings. So the WEP recalculates the benefit as follows:

40% of the first \$627 of average earnings, PLUS  
32% of the amount from \$628 to \$3,779, PLUS  
15% of the remainder

A second type of Social Security offset known as the “Government Pension Offset,” or “GPO,” reduces the Social Security survivor benefit payable to a surviving spouse who also receives a government pension. That offset reduces the survivor benefit by 1/3.

The offsets do not occur if the person receiving both types of pension income had 30 years of substantial Social-Security-covered employment, either because he participated in Social Security in addition to his government retirement plan or because he was only covered by Social Security. The offsets would be lower if the person had at least 21 years of substantial Social Security earnings.

Following enactment of the offsets and other changes in federal Social Security law in 1983, Maine policymakers in the late 1980’s and early 1990’s examined the impact of these federal law changes on state employees and considered<sup>16</sup> whether to move state

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<sup>14</sup> The percentages used in the formula (90%, 32% and 15%) remain constant from year to year, but the dollar thresholds for each percentage are adjusted annually based on changes in the average wage.

<sup>15</sup> The calculation of a person’s average monthly earnings is based on 35 years of employment, with employment not covered by Social Security counted as zero earnings employment, and is indexed to wage growth.

<sup>16</sup> See the 1987 and 1988 reports of the Commission to Study the Integration of the Maine State Retirement System with Social Security created by Resolves 1987, chapter 53; the 1988 report of the Committee to Study the Retirement System created by PL 1987, chapter 68, chaired by Robert Monks (the “Monks 1” report) and the 1994 report of the Committee to Study the Retirement System, created by PL 1993, chapter 410 (“Monks 2”).

employees onto Social Security, or a combination of Social Security and a smaller state retirement plan, but to date have not adopted such a plan.

#### **D. New Hampshire Uniform Retirement Plan**

Once fully implemented, a uniform retirement plan for all state and local law enforcement officers and firefighters would eliminate concerns about portability and parity. The Task Force gathered information about New Hampshire's retirement system, as an example of such a uniform plan.

Since the 1960's, New Hampshire has had a single retirement plan for all state and local law enforcement officers and firefighters<sup>17</sup>. The following is an outline of the New Hampshire Retirement System (NHRS), as it applies to those employees, known in the New Hampshire system as "Group II employees." These employees do not participate in Social Security.

- **Eligibility to Retire**  
Age 45 with 20 years of service OR age 60, regardless of service
- **Benefit Amount**  
2.5% of average final compensation for each year of service within the plan
- **Employer contribution**  
The employer contribution is determined by the NHRS on the basis of actuarial analysis. In 2004, the employer contribution was 12.11% of compensation for law enforcement officers and 20.68% for firefighters. The State of New Hampshire pays 35% of the local employer's contribution for law enforcement officers and firefighters.
- **Employee contribution**  
The employee contribution is set by statute at 9.3% of compensation for Group II employees
- **Retiree Health Insurance**  
The NHRS provides a medical subsidy of a fixed amount to Group II retirees who were members or retirees as of 6/30/00. The 2004 subsidy for persons under the age of 65 is \$298.13 per month for an individual, and double that amount for a retiree & spouse. When they reach 65, Medicare becomes the primary coverage, and the subsidy pays \$188.02 per person per month toward a Medicare supplement policy. The policies are provided through the former local government employer. The subsidy is paid to the former employer, and any additional cost above the subsidy must be paid either by the employee or the employer. New Hampshire law allows an 8% increase in the subsidy amount each July 1. The subsidy is funded by a special

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<sup>17</sup> The NHRS also covers teachers, state employees and other municipal employees (if the municipal employer elects to participate). This summary only relates, however, to the LEO and FF part of the NHRS.



account, created from actuarially calculated gains of more than a half percent above the retirement Trust Fund's, assumed rate of return. In fiscal year 2002-03, \$5.669 million was paid in subsidies for police officers, and \$3.327 million was paid for firefighters.

### **III. TASK FORCE DISCUSSIONS**

The Task Force began its work by examining the different retirement packages currently offered to state, county and municipal law enforcement officers and to municipal firefighters, and by learning about portability among MSRS plans. At their first meeting, members brainstormed about possible alternatives to the current system, including:

- Creation of a mandatory uniform retirement plan like that offered in New Hampshire, either restricted to new hires or for all law enforcement officers and firefighters;
- Establishment of a minimum retirement benefit package that exceeds the Social Security minimum, to be offered by all municipalities to police officers and firefighters, and allowing for variation among municipalities that wish to exceed the minimum; and
- Allowing individual employees to “buy in” to a better retirement plan or to retiree health insurance when they would not otherwise qualify for those benefits, either by paying their own costs or by negotiating for their employer to pay the additional cost.

Discussions at early meetings also brought forth a number of concerns about changing from the current system, including:

- Additional cost incurred to improve benefits, and whether the additional cost would be borne by the municipality or the State;
- The administrative complexity of creating a new uniform retirement plan and moving existing employees onto that plan;
- The inequity of creating a plan that only new hires can participate in, leaving existing employees with less favorable plans;
- The difficulty of maintaining uniformity among plans, when groups of employees can request improvements from later Legislatures; and
- The difficulty of narrowing down all current options available to municipalities to a small number of plans, or a single plan.

For its 2<sup>nd</sup> meeting, the Task Force asked a representative of the Maine Municipal Association (MMA) to attend to answer questions and provide comments to assist the Task Force in its deliberations. David Barrett, Manager of Personnel Services and Labor Relations for MMA

explained that the current variation in retirement benefits among municipalities is the result of years of negotiations between employers and employees. A uniform, state-determined retirement package would replace that process, and reduce the flexibility that employees now have during negotiations. In response to a question from a Task Force member, Mr. Barrett reported that portability of retirement benefits seems to concern employees less than in the past, because the Consolidated Plan provides portability. Employees are more concerned, he said, about other benefits, especially health insurance.

### **Retiree health insurance**

At their 3<sup>rd</sup> and 4<sup>th</sup> Task Force meetings, members focused on retiree health insurance. Frank Johnson, Executive Director of Employee Health and Benefits Division of the Department of Administrative and Financial Services, explained the state employee health plan and the requirements for eligibility for retirees. Some Task Force members believed that a person moving to state employment from municipal employment would be required to work for the state for 25 years in order to participate in the state retiree health insurance program. Based on this belief, they wanted to amend the law to allow such employees to buy their way into retiree health insurance. However, as Mr. Johnson explained, a state employee hired after 7/1/91 need only participate in the state employee health plan for 5 years before retirement in order to have some level of State contribution toward the cost of the insurance. A state employee need only participate in the plan for 10 years prior to retirement to earn state payment of 100% of the retiree's premium. Following this explanation, members did not pursue the option of "buying into" the state health insurance plan.

Task Force members also discussed whether to have all municipal law enforcement officers and firefighters participate in the state employee health insurance plan when they retire. But given administrative difficulties with such a program, members instead pursued the less complex option of providing a state subsidy toward the cost of retiree health insurance, similar to the subsidy provided to teachers. Municipal and county law enforcement officers and municipal firefighters, upon retirement, would continue to participate in whatever group plan their employer provided for active employees and the State would pay a certain percentage of the cost of that plan. The Task Force continued to pursue this option during subsequent meetings.

### **Targeting the Health insurance subsidy**

Task Force members believed that a retiree health insurance subsidy should accomplish two goals: (1) provide assistance to individual retirees; and (2) by limiting the subsidy to municipalities that participate in MSRS retirement plans providing a certain level of benefit, to provide incentive to municipalities to move into such plans, if they are not already participating. Municipalities would have incentive to move to those MSRS retirement plans because they would be able to offer retiree health insurance as a recruitment and retention tool with the State covering some or all of the cost of the benefit.

After reviewing information on participation in MSRS Special Plans, members concluded that the majority of local law enforcement officers and firefighters are already covered by MSRS Consolidated Plan Special Plan #2, which provides for retirement after 25 years of service, at any age, with a benefit of 50% of average final compensation (plus 2% for each year beyond 25).

Members proposed to link the health insurance subsidy to provision of a retirement plan that meets or exceeds Special Plan #2. Members referred to such plans as “25/50 or better” plans. The category includes Special Plan #2 with a cost-of-living adjustment (COLA), and Special Plans #1 and #3 with or without COLA.

At the request of the Task Force, Frank Johnson provided a rough estimate of the cost of a 40% subsidy, similar to that currently provided to retired teachers, to local law enforcement officers and firefighters in “25/50 or better” retirement plans. Based on a rough, non-actuarial calculation by Mr. Johnson and by Task Force staff:

- The cost of a 40% subsidy applicable only to persons who retire after the law passes (based on 1,524 law enforcement officers and firefighters currently participating in 25/50 or better plans) might range from \$3.8 to \$4.1 million annually.
- If the 40% subsidy began immediately and included all current and future retirees, based on the number of current law enforcement officer and firefighter retirees in 25/50 or better plans (1,033) and assuming 40 additional retirees per year, the cost might range from \$2.2 million to \$2.8 million in the first year, increasing by between \$83,000 and \$109,800 per year.
- The cost of a 100% subsidy for all current and future retirees might range from \$5.4 million to \$7 million in the first year, increasing by from \$208,000 to \$272,000 each year after the first year.

Appendix H describes the methodology for these estimates, which are rough estimates calculated without actuarial analysis.

#### **Possible sources of revenue for the subsidy**

Task Force members discussed possible sources of revenue to pay for the subsidy, including the insurance premium tax,<sup>18</sup> a tax similar to the fire investigation and prevention tax<sup>19</sup> and a surcharge on fines imposed for certain criminal convictions.

The insurance premium tax is imposed on all insurance policy premiums paid in Maine, at a rate of 1% for long-term care policies and 2% for most other types of insurance. Collections from the insurance premium tax go into the State General Fund. Companies that self-insure do not pay the tax.

The Fire Investigation and Prevention Tax is imposed only on premiums attributable to fire risks. The general rate is 1.4% of premium, but special additional assessments have been made in fiscal years 2002 and 2003. This tax funds fire prevention, investigation and public education activities of the Department of Public Safety, as well as defraying the cost of fire training and education programs in the Community College System. According to Task Force members, the rationale

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<sup>18</sup> 36 MRSA c. 357

<sup>19</sup> 25 MRSA §2399

for charging the costs of such programs to insurance policies relating to fire risk is that insurers and insured property benefit from training and prevention programs, and should therefore bear part of the cost for such programs.

With regard to taxation of insurance premiums to pay for law enforcement officer and firefighter programs, Task Force members considered creating a different premium tax that would have broader application than the Fire Investigation and Prevention Tax, but would not apply to all insurance policies.

Members also considered a surcharge on fines imposed by courts when a person is convicted of certain types of crimes, such as drug-related crimes or felonies (Class A, B, or C crimes).

### **Portability and its cost**

Since Task Force members did not pursue the idea of a mandatory uniform retirement plan for all law enforcement officers and firefighters, portability of benefits remained an issue. At their 5<sup>th</sup> meeting, members were briefed on portability concepts by Kathy Morin of the MSRS.

As described in the background section of this report, a person who moves among plans in the Consolidated Plan for Participating Local Districts can take all or part of the benefit of his earlier years of service with him when he moves from one employer in that Plan to another. But there is no portability for someone moving between State employment and municipal or county employment or someone moving among and between municipalities and counties that do not both participate in the Consolidated Plan.

Adding portability to a retirement plan adds cost. First, when a person moves from an employer with a less favorable plan to an employer with a more favorable plan (e.g., from a plan that requires 25 years of service to one that requires 20 years), the new employer could be required to pay a benefit for which insufficient funds have been set aside. An employer that has 25 years to save for a benefit can put aside less each year than an employer saving to pay a benefit in 20 years because, among other things, the 25-year employer is likely to have 5 more years of contributions as well as 5 more years of investment earnings to rely on for funding the benefit. Even if the employer and employee contributions from the first employer are transferred to the 2<sup>nd</sup> employer, there is not enough to fund the better benefit.

Second, a person whose retirement benefit is portable is more likely to qualify for a Special Plan benefit -- a more valuable and costly benefit -- than a person whose benefit is not portable and therefore qualifies only for a Regular Plan benefit. Special Plans usually require 20 or 25 years of service before a person is eligible to retire from that plan. A person in the Special Plan can retire without meeting that years-of-service requirement, but he will be treated at retirement as if he were in a Regular retirement plan; his benefit will be reduced if he has not reached the normal retirement age of that Regular Plan (usually age 60 or 62). Allowing portability would increase the chances that a person will qualify for the Special Plan benefit with his or her last employer, without reduction based on early retirement, since Special Plans have either no age requirement or a lower age requirement than the Regular Plans.

A cost for portability may also be incurred by the 1<sup>st</sup> employer, because the employee contributions, interest and possibly the employer contributions attributable to that employee are transferred out of employer #1's fund and the funds are unavailable to cover the cost of retirement benefits for employees who remain in the plan. Normally, when actuaries determine how much money the employer needs to contribute to the plan, there is an assumption that some people will leave the plan and will not be entitled to a benefit, so the employer contributions set aside for that person remain in the plan and become available to fund other benefits. Allowing more people to transfer funds to other plans takes away that ability.

The costs of portability in the Consolidated Plan are currently spread out among all employers in the Plan. When the actuaries determine the required employer contribution, they assume that some level of costs will be imposed on the new and old employers, so the rates paid by all employers provide a cushion to cover those costs. In addition, the rules for portability among those plans provide that a person does not necessarily gain the full benefit of prior years of service, e.g., a person gets 1 year of credit in Special Plan #1 for each 2 years of service in a Regular Plan. This reduces the cost somewhat, while giving the employee some benefit from his prior years of service

Task Force members acknowledged the additional costs, and decided that they did not want to impose those additional costs on employers. Instead, they proposed that the employee be given the option to purchase full or partial portability. The Retirement System can determine the actuarial cost of portability. While the cost may be significant in some cases, e.g., when an employee is nearing retirement age, Task Force members wanted employees to have the option. Buying in to a better retirement benefit may provide a more certain long-term benefit than making investments on one's own.

#### **IV. RECOMMENDATIONS**

The Task Force voted unanimously<sup>20</sup> to recommend the following actions to the Legislature. Legislation to implement the recommendations is included as Appendix J.

##### **Retiree Health Insurance**

The Task Force recommends:

- That the State pay a subsidy toward the cost of health insurance for retired county and municipal law enforcement officers and municipal firefighters who retire from certain Maine State Retirement System plans. Current and future retirees would be eligible for the subsidy, which would pay 100% of the cost of retiree coverage, up to a maximum of the amount paid for state retiree health insurance coverage. Law enforcement officers would be eligible for the subsidy if they are retired from a MSRS plan that provides a

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<sup>20</sup> Senator Blais was not present at the final meeting of the Task Force, and did not participate in the vote on recommendations.

retirement benefit at least as favorable as 50% of average final compensation after 25 years of service;

- That the subsidy be funded by employee contributions (1.5% of compensation for active law enforcement officers and firefighters who participate in plans that qualify for the subsidy), as well as by a tax on premiums paid for certain types of property and casualty insurance, including commercial and private auto insurance, and commercial and homeowner multiple peril insurance (1/2 of 1% of premium); and
- That the Bureau of Insurance develop options for collecting contributions toward the subsidy from businesses that do not pay premiums for coverage of the types of risks covered by auto insurance, and property-related insurance. Options might include a tax on imputed premium, or a tax on the value of certain property.

Task Force members representing municipal and county law enforcement officers said that the lack of employer-paid retiree health insurance as part of an employee's benefit package is a significant deterrent to hiring and retaining law enforcement officers, perhaps more significant than the retirement benefit plan itself. There is a precedent for State payment of retiree health insurance premiums for certain local employees, since the state currently pays 40% of a retired teacher's health insurance premium. The subsidy for law enforcement officers and firefighters could work in much the same way.

The subsidy would be capped at the dollar amount paid as premium for retired State employees with similar plans, i.e., for a Medicare-eligible retiree, the dollar amount would be the amount paid by the State for a Medicare Supplement policy. A retiree is eligible for the subsidy whether his insurance is provided through the former employer's plan, or, if he is not able to participate in the employer's plan, through another group or individual plan.

The Task Force proposes that the subsidy be funded from 2 sources: active employees who are likely to benefit from the subsidy when they retire, and insurance policies that cover losses that might involve police or firefighters, such as insurance covering auto accidents, fires, and other accidents and losses.

Task Force members representing local law enforcement officers expressed the belief that active law enforcement officers and firefighters would be willing to share in the cost of such a benefit, and that paying an additional 1.5% of compensation would make their total contribution toward a package of retirement benefits comparable to that paid by State Police Officers for their retirement plan.<sup>21</sup>

The employee contribution would be made to a pooled account dedicated to paying for the subsidy. Active employees would not have a right to a refund of any contributions made for this purpose; all funds would be used to pay the subsidy for all those who become entitled to it.

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<sup>21</sup> State Police currently pay 8.65% of compensation toward their retirement benefit for the first 25 years of service, and 7.65% thereafter. State Police do not make a contribution to pay for retiree health insurance. That cost is paid from the State General Fund, Highway Fund or other accounts.

The other source of funds would be a tax on the premiums paid for certain types of property and casualty insurance. There is precedent for taxing insurance premiums to cover public safety programs. The Fire Investigation and Prevention Tax is levied against premiums paid to cover fire risks; revenue from the tax funds firefighter training and activities of the Department of Public Safety relating to public education, prevention and investigation of fires. The Task Force recommendation would create a separate tax that applies more broadly to all types of insurance that cover risks that might involve police or firefighting services, including auto insurance, homeowners insurance, commercial risks, and others. It would not apply to health and life insurance, or similar types of insurance.

Finally, the Task Force believes that businesses that do not have insurance policies for the types of risks described above should pay a fair share of the costs of the subsidy. Since they do not pay insurance premiums, they should be assessed on some other basis. An example of an alternative assessment provision is found in the workers' compensation law. Under that law, self-insured employers are assessed to cover administrative costs of the workers' compensation system on the basis of aggregate workers' compensation benefits paid, rather than on the basis of premiums paid. The Task Force did not have sufficient time to develop a method of assessing businesses that do not have insurance coverage for fire, accident and the other types of property and casualty insurance noted above. Instead, the Task Force recommends that the Bureau of Insurance develop and report some options for assessment to the Legislature.

### **Portability of Retirement Benefits**

#### The Task Force recommends:

- That state and local law enforcement officers and firefighters who move among certain MSRS-administered retirement plans be given the option of purchasing full or partial portability when they move to a retirement plan that does not otherwise provide for portability.

Current law provides an opportunity for certain MSRS members to improve their retirement benefits, at their own expense, by purchasing service credit for military service, service in the Peace Corps, educational leave, and certain other types of service. This Task Force recommendation adds a similar provision by allowing certain law enforcement officers and firefighters to improve their retirement benefit, at their own expense, by paying the cost of full or partial portability of prior service as a law enforcement officer or firefighter.

This provision would apply only to officers and firefighters moving among state and local retirement plans that provide a benefit of 50% of average final compensation after 25 years of service, or better. A "better" plan would include a plan that provides a benefit of more than 50% of AFC after 25 years of service, and a plan that provides a 50% benefit after fewer than 25 years.

If a person elects to purchase portability, the MSRS would calculate the cost and allow the employee to pay the cost over time or in a single sum, as it currently provides for purchases of service credit. A person who chooses not to purchase portability would have his retirement benefit calculated separately for each plan in which he participated, as provided under current law.



## **APPENDIX A**

### **Task Force Members**

**TASK FORCE TO STUDY PARITY AND PORTABILITY OF RETIREMENT BENEFITS  
FOR STATE LAW ENFORCEMENT OFFICERS, MUNICIPAL AND COUNTY LAW  
ENFORCEMENT OFFICERS AND FIREFIGHTERS**  
Resolve 2003, Ch. 76

**Appointments by the President**

Sen. Beth Edmonds  
122 Hunter Road  
Freeport, ME 04032  
(207) 865-3869

Sen. Kenneth Blais  
107 Pine Tree Road  
Litchfield, ME 04350

Steven Butterfield  
c/o MSEA  
65 State Street  
Augusta, ME 04330

Representing State Law Enforcement Officers

Jim Fahey  
30 Anthoine Street  
South Portland, ME 04106

Representing Municipal Law Enforcement Officers

**Appointments by the Speaker**

Rep. Robert W. Duplessie  
41 Carol Street  
Westbrook, ME 04092  
(207) 797-8482

Rep. S. Peter Mills  
P.O. Box 9  
Skowhegan, ME 04976  
(207) 474-3821

Kevin Joyce  
P.O. Box 1312  
Windham, ME 04062

Representing County Law Enforcement Officers

Michael Williams  
124 New York Avenue  
South Portland, ME 04106

Representing Municipal Firefighters

Staff: Deb Friedman, OPLA, 287-1670

## **APPENDIX B**

### **Authorizing Legislation**

APPROVED

CHAPTER

JUN 17 '03

76

BY GOVERNOR

RESOLVES

STATE OF MAINE

—  
IN THE YEAR OF OUR LORD  
TWO THOUSAND AND THREE  
—

H.P. 989 - L.D. 1343

**Resolve, To Create the Task Force To Study Parity and  
Portability of Retirement Benefits for State Law Enforcement  
Officers, Municipal and County Law Enforcement Officers and  
Firefighters**

**Emergency preamble.** Whereas, Acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

**Whereas,** this resolve establishes the Task Force to Study Parity and Portability of Retirement Benefits for State Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters; and

**Whereas,** this resolve is necessary as an emergency measure to afford adequate time for the issues to be appropriately addressed by the task force; and

**Whereas,** in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore, be it

**Sec. 1. Task force established. Resolved:** That the Task Force to Study Parity and Portability of Retirement Benefits for State Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters, referred to in this resolve as "the task force," is established; and be it further

**Sec. 2. Task force membership. Resolved:** That the task force consists of 8 members appointed as follows:

1. Two members of the Senate, appointed by the President of the Senate. When making the appointments, the President of the Senate shall give preference to members who serve on the Joint Standing Committee on State and Local Government, the Joint Standing Committee on Criminal Justice and Public Safety or the Joint Standing Committee on Labor;

2. Two members of the House of Representatives, appointed by the Speaker of the House; and

3. Four members appointed as follows:

A. One member representing municipal law enforcement officers, appointed by the President of the Senate;

B. One member representing municipal firefighters, appointed by the Speaker of the House;

C. One member representing county law enforcement officers, appointed by the Speaker of the House; and

D. One member representing state law enforcement officers, including employees of the Office of the State Fire Marshal who have law enforcement powers, appointed by the President of the Senate; and be it further

**Sec. 3. Chairs. Resolved:** That the first-named Senate member is the Senate chair of the task force and the first-named House of Representatives member is the House chair of the task force; and be it further

**Sec. 4. Appointments; convening of task force; meetings. Resolved:** That all appointments must be made no later than 30 days following the effective date of this resolve. The appointing authorities shall notify the Executive Director of the Legislative Council once all appointments have been completed. Within 15 days after appointment of all members, the chairs shall call and convene the first meeting of the task force. The task force may hold up to 4 meetings; and be it further

**Sec. 5. Duties. Resolved:** That the task force shall examine the following issues concerning retirement and health insurance benefits for state, county and municipal law enforcement officers and firefighters:

1. Review the differences in retirement benefits provided to state law enforcement officers, county law enforcement officers and municipal law enforcement officers;

2. Develop options for providing parity in benefits and for increasing portability of benefits for law enforcement officers who move between state, county and municipal employment, including employment in the Office of the State Fire Marshal, or those who change municipal or county employers; and

3. Review the differences among retirement and health insurance benefits provided to municipal law enforcement officers and firefighters in various municipalities and consider the advantages and disadvantages of creating a uniform retirement and health insurance benefit plan for municipal law enforcement officers and firefighters; and be it further

**Sec. 6. Staff assistance. Resolved:** That, upon approval of the Legislative Council, the Office of Policy and Legal Analysis shall provide necessary staffing services to the task force. The Maine State Retirement System shall provide technical assistance as requested by the task force; and be it further

**Sec. 7. Compensation. Resolved:** That the legislative members of the task force are entitled to receive legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses related to their attendance at meetings of the task force. Public members not otherwise compensated by their employers or other entities that they represent are entitled to receive reimbursement of necessary expenses for their attendance at authorized meetings of the task force and, upon a demonstration of financial hardship, a per diem equal to the legislative per diem for their attendance at authorized meetings of the task force; and be it further

**Sec. 8. Report. Resolved:** That the task force shall submit its report that includes its findings and recommendations, including suggested legislation, to the Second Regular Session of the 121st Legislature no later than December 3, 2003. The task force is authorized to introduce a bill related to its report to the Second Regular Session of the 121st Legislature at the time of submission of its report; and be it further

**Sec. 9. Extension. Resolved:** That, if the task force requires a limited extension of time to complete its study and make its report, it may apply to the Legislative Council, which may grant an extension; and be it further

**Sec. 10. Task force budget. Resolved:** That the chairs of the task force, with assistance from the task force staff, shall administer the task force's budget. Within 10 days after its first meeting, the task force shall present a work plan and proposed budget to the Legislative Council for its approval. The

task force may not incur expenses that would result in the task force's exceeding its approved budget.

Upon request from the task force, the Executive Director of the Legislative Council or the executive director's designee shall promptly provide the task force chair and staff with a status report on the study budget, expenditures incurred and paid and available funds.

**Emergency clause.** In view of the emergency cited in the preamble, this resolve takes effect when approved.

## **APPENDIX C**

### **MSRS Retirement Plans, New State Law Enforcement Officer Hires**



## Retirement Plans Applicable to Current Hires State Law Enforcement Officers

### State Special Plans

	<b>Eligibility to Retire</b>	<b>Employee Contribution Rate</b>	<b>Benefit</b>
<b>State Police</b> hired after 8/15/84	<b>25 years of service, any age</b>	<b>8.65%</b> for the first 25 years under the plan; 7.65% for remaining years (1.15% for those with employer-paid contributions)	<b>50% of AFC, plus 2% of AFC for each additional year after 25 years</b>
<b>Marine Resources Wardens and Game Wardens</b> hired after 8/31/84	<b>25 years of service under the plan, any age</b>	Same as State police	<b>50% of AFC plus 2% of AFC for each additional year after 25</b>
<b>Certain State Prison Employees</b> hired after 8/31/84	<b>(a) 25 years of service in a covered position, with reduced benefit before NRA, or (b) 10 years of service after 6/30/98 and age 55</b>	Same as State Police	<b>2% of AFC for each year of service; if retiring under (a), benefit is reduced for retirement before age 55</b>
<b>Forest Rangers,</b> employed on, or hired after 7/1/98	<b>(a) 25 years of service in a covered position with reduced benefit before NRA, or (b) 10 years after 6/30/98 and age 55</b>	Same as State Police	<b>2% of AFC for each year of service; if retiring under (a), benefit is reduced for retirement before normal retirement age (age 60 or 62 for service prior to 7/1/98 and age 55 for service after)</b>
<b>Baxter State Park Rangers, Fire Marshal Officers,</b> certain <b>Corrections Employees</b> employed on or hired after 1/1/00	<b>(a) 25 years of service in a covered position with reduced benefit before NRA, or (b) 10 years after 12/31/99 and age 55</b>	Same as State Police	<b>2% of AFC for each year of service; if retiring under (a), reduced for retirement before normal retirement age (age 60 or 62 for service prior to 1/1/00 and age 55 for service after)</b>

<b>Capital Security Officers</b>	<b>(a) 25 years of service in a covered position with reduced benefit before NRA, or (b) 10 years after 7/1/02 and age 55</b>	Same as State Police	<b>2% of AFC for each year of service; if retiring under (a), reduced for retirement before normal retirement age (age 60 or 62 for service prior to 7/1/02 and age 55 for service after)</b>
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Table does not include Liquor Inspectors or Motor Vehicle Investigators

### **Glossary:**

MSRS: Maine State Retirement System

NRA: Normal Retirement Age

AFC: Average Final Compensation, defined as the average of the 3 highest years of earnable compensation

PLD: Participating Local District, which includes municipalities, counties, quasi-municipal entities such as water and sewer districts, post-secondary educational institutions, associations of employees

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## **APPENDIX D**

### **All MSRS Retirement Plans Applicable to State Law Enforcement Officers**

# Summary of MSRS Eligibility and Benefit Provisions

Employee Group	Applicable Time Period	Years of Service Required	Normal Retirement Age	Benefit
State Employees				
Regular Plan	At least 10 years creditable service on July 1, 1993	Whether or not in active service at retirement, 25 years of creditable service. <u>Or</u> , at least one year of creditable service immediately before retirement and at least normal retirement age.  If not in active service at retirement and not in active service on October 1, 1999: at least 10 years of creditable service and at least normal retirement age.	60	1/50 x average of 3 highest-salary years (AFC) x years of service credit. If 25 years service credit but less than normal retirement age, benefit reduced for each year below normal retirement age.
	Less than 10 years creditable service on July 1, 1993	If not in active service at retirement, but in active service on October 1, 1999: at least 5 years of creditable service and at least normal retirement age.	62	
Special Plans				
<ul style="list-style-type: none"><li>• IF&amp;W Officers*</li><li>• Marine Resource Wardens*</li></ul>	Before 9/1/84	20	None	½ of AFC plus 2% for each year of service over 20.
<ul style="list-style-type: none"><li>• Airplane Pilots</li><li>• Liquor Inspectors*</li></ul>	Before 9/1/84	25	55	Greater of: (1) ½ of AFC plus 2% for each year of service earned after reaching age 55 or completing 25 years of service, whichever is later; or (2) the benefit under the regular formula.
<ul style="list-style-type: none"><li>• Forest Rangers*</li></ul>	Before 9/1/84	25	50	½ of AFC plus 2% for each year of service earned after reaching age 50 or completing 25 years of service, whichever is later.
<ul style="list-style-type: none"><li>• Specific State Prison Employees</li></ul>	Before 9/1/84	20	50	Same as for Forest Rangers, above, except 20 years of service.

\* If the benefit would be greater, the prorated portion of the benefit for service before July 1, 1976, is based on annual pay instead of average final pay.

# Summary of MSRS Eligibility and Benefit Provisions

Employee Group	Applicable Time Period	Years of Service Required	Normal Retirement Age	Benefit
• Special Agent Investigators hired by the Bureau of State Police	Before 6/21/82	25	None	AFC x 2% x years of service
• State Police*	Before 9/16/84	20	None	½ of AFC plus 2% for each year of service over 20.
• State Police	After 9/15/84	25	None	AFC x 2% x years of service
• Specific State Prison Employees	9/1/84 – 6/30/98	25	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.
• Specific State Prison Employees	After 6/30/98	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.
		10 years after 6/30/98		AFC x 2% x years of service.
• Forest Rangers • Liquor Inspectors • Airplane Pilots • Defense & Veterans Services Firefighters at B.I.A.	After 6/30/98	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced based on Normal Retirement Age governing service on date rendered.
		10 years after 6/30/98		AFC x 2% x years of service.
• Marine Resource Wardens • IF&W Officers	7/1/98 - 8/31/02 **	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced based on Normal Retirement Age governing service on date rendered.
		10 years after 6/30/98		AFC x 2% x years of service.
• Marine Resource Wardens • IF&W Officers	After 8/31/02	25	None	AFC x 2% x years of service.

\* If the benefit would be greater, the prorated portion of the benefit for service before July 1, 1976, is based on annual pay instead of average final pay.

\*\* Once applicable funding requirements are met, service will be included with the service earned under the post 8/31/02 plan.

# Summary of MSRS Eligibility and Benefit Provisions

Employee Group	Applicable Time Period	Years of Service Required	Normal Retirement Age	Benefit
<ul style="list-style-type: none"> <li>Baxter State Park Rangers</li> <li>State Fire Marshals</li> <li>Specific Department of Corrections employees</li> </ul>	After 12/31/99	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced based on Normal Retirement Age governing service on date rendered.
		10 years after 12/31/99		AFC x 2% x years of service.
<ul style="list-style-type: none"> <li>Specific Department of Environmental Protection employees</li> </ul>	After 12/31/01	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.
		10 years after 12/31/01		AFC x 2% x years of service.
<ul style="list-style-type: none"> <li>Capital Security Officers</li> </ul>	After 6/30/02	25 <u>OR</u>	55	AFC x 2% x years of service; benefit is reduced based on Normal Retirement Age governing service on date rendered.
		10 years after 6/30/02		AFC x 2% x years of service.

Alternative Plans – State Employee Election Required				
“Age-55 Choice”: <ul style="list-style-type: none"> <li>Marine Resource Wardens</li> <li>IF&amp;W Officers</li> <li>Forest Rangers</li> </ul>	9/1/84-6/30/98	25	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.

\* If the benefit would be greater, the prorated portion of the benefit for service before July 1, 1976, is based on annual pay instead of average final pay.

\*\* Once applicable funding requirements are met, service will be included with the service earned under the post 8/31/02 plan.

# Summary of MSRS Eligibility and Benefit Provisions

Employee Group	Applicable Time Period	Years of Service Required	Normal Retirement Age	Benefit
"Age-55 Choice": <ul style="list-style-type: none"> <li>Motor Vehicle Investigators</li> </ul>	N/A	25	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.
"Age-55 Choice": <ul style="list-style-type: none"> <li>Baxter State Park Rangers</li> <li>State Fire Marshals</li> </ul>	Before 1/1/2000	25	55	AFC x 2% x years of service; benefit is reduced if retirement is before age 55.

\* If the benefit would be greater, the prorated portion of the benefit for service before July 1, 1976, is based on annual pay instead of average final pay.

\*\* Once applicable funding requirements are met, service will be included with the service earned under the post 8/31/02 plan.

Revised: January 2003

## **APPENDIX E**

### **Types of Retirement Plans Covering Municipal and County Law Enforcement Officers and Municipal Firefighters**



**Retirement Plans Applicable to Current Hires  
Municipal and County Law Enforcement Officers and  
Municipal Firefighters**

**MSRS Consolidated Plan Options for Participating Local Districts**

	<b>Eligibility to Retire</b>	<b>Contribution Rates Fiscal Year 2004</b>	<b>Benefit</b>
<b>Regular Plan A</b>	<b>(a) 25 years of service with reduced benefit before NRA or (b) age 60</b>	Employee contribution: 6.5%  Employer Normal Cost:** 7.9% with COLA 4.1% without COLA	<b>2% of AFC for each year of service; if retiring under (a), , reduced by an actuarially-determined amount (approx. 2-1/4%) for each year before age 60</b>  (With or without COLA, as elected by employer)
<b>Regular Plan B</b>  (Available only to districts that also have Social Security coverage)	<b>(a) 25 years of service, with reduced benefit before NRA, or (b) age 60</b>	Employee contribution: 3.0%  Employer Normal Cost:** 5.3% with COLA	<b>1% of AFC for each years of service, reduced as provided in Regular Plan Option A</b>
<b>Special Plan #1</b>	<b>20 years of service</b>	Employee contribution: 6.5%  Employer Normal Cost:** 16.8% with COLA 9.2% without COLA	<b>50% of AFC plus 2% per year in excess of 20 years</b>  (With or without COLA, as elected by employer)
<b>Special Plan #2</b>	<b>25 years of service</b>	Employee contribution: 6.5%  Employer Normal Cost:** 9.6% with COLA 4.9% without COLA	<b>50% of AFC plus 2% per year in excess of 25 years</b>  (With or without COLA, as elected by employer)

<b>Special Plan #3</b>  (Available only for firefighters, police officers, sheriffs, full-time deputy sheriffs and certain county corrections employees)	<b>25 years of service</b>	Employee contribution: 8.0% for 25 years, 6.5% after 25 years  Employer Normal Cost:** 12.6% with COLA 6.5% without COLA 8.0%	<b>66-2/3% of AFC plus 2% per year in excess of 25 years</b>  (With or without COLA, as elected by employer)
<b>Special Plan #4</b>  (Available only to the groups listed above in #3)	<b>25 years of service and age 55</b>	Employee contribution: 7.5% for 25 years, 6.5% after 25 years  Employer Normal Cost:** 7.9% with COLA 3.6% without COLA	<b>2% of AFC for each year of service</b>  (With or without COLA, as elected by employer)

\*\* Actual contributions paid by employers were lower than these figures because of a surplus in the Fund.

#### Other Municipal and County Options

- **MSRS plus supplementary plans**, including other qualified 401(a) retirement plans, 457 plans (similar to 401(k) plans), or IRAs with or without matching employer contributions
- **Social Security**
- **Social Security, plus Supplementary Plans**, including other qualified 401(a) retirement plans, 457 plans (similar to 401(k) plans), or IRAs with or without matching employer contributions
- **Other tax-qualified retirement plan** or plans (defined benefit or defined contribution) that substitute for Social Security

#### Glossary:

MSRS: Maine State Retirement System

NRA: Normal Retirement Age

AFC: Average Final Compensation, defined as the average of the 3 highest years of earnable compensation

PLD: Participating Local District, which includes municipalities, counties, quasi-municipal entities such as water and sewer districts, post-secondary educational institutions, associations of employees

## **APPENDIX F**

### **List of MSRS Retirement Plans Offered by Specific Municipalities and Counties**

**Participating Local District  
Plan Coverage**

**ACTIVE PLDS**

**Social Security  
218  
Agreement?**

**EMPLOYER NAME**

**Plan Coverage**

Plan Key:

Regular Plan A - NRA 60, 2% AFC for each year of service  
Regular Plan B - NRA 60, 1% AFC for each year of service  
Special Plan 1 - 1/2 AFC, 20 years service, no age limit  
Special Plan 2 - 1/2 AFC, 25 years service, no age limit  
Special Plan 3 - 2/3 AFC, 25 years service, no age limit  
Special Plan 4 - NRA 55, 2% AFC for each year of service

Androscoggin County	Law Enforcement, Special Plan 2 with COLA	YES
Aroostook County	Regular Plan A with COLA	NO
Auburn, City Of	Firefighter, Special Plan 2 with COLA	NO
Auburn, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Augusta, City Of	Firefighter, Special Plan 2 with COLA	NO
Augusta, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Baileyville, Town Of	Regular Plan A with COLA	YES
Baileyville, Town Of	Law Enforcement, Special Plan 3 with COLA	YES
Bar Harbor, Town Of	Firefighter, Special Plan 4 with COLA	YES
Bar Harbor, Town Of	Law Enforcement, Special Plan 4 with COLA	YES
Bath, City Of	Firefighter, Special Plan 3 with COLA	NO
Bath, City Of	Law Enforcement, Special Plan 3 with COLA	NO
Belfast, City Of	Regular Plan A with COLA	YES
Belfast, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Berwick, Town Of	Regular Plan A without COLA	YES
Bethel, Town Of	Regular Plan A with COLA	YES
Biddeford, City Of	Regular Plan A without COLA	YES
Biddeford, City Of	Law Enforcement, Special Plan 3 without COLA	YES
Boothbay Harbor, Town Of	Regular Plan A with COLA	YES
Brewer, City Of	Firefighter, Special Plan 2 with COLA	NO
Brewer, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Brunswick Fire And Police	Firefighter, Special Plan 2 with COLA	NO
Brunswick Fire And Police	Law Enforcement, Special Plan 2 with COLA	YES
Bucksport, Town Of	Firefighter, Special Plan 4 without COLA	YES

## Participating Local District Plan Coverage

Bucksport, Town Of	Law Enforcement, Special Plan 4 without COLA	YES
Calais, City Of	Regular Plan A with COLA	YES
Camden, Town Of	Regular Plan A with COLA	YES
Caribou Fire & Police	Firefighter, Special Plan 2 without COLA	YES
Caribou Fire & Police	Law Enforcement, Special Plan 2 without COLA	YES
Carrabasset Valley, Town Of	Regular Plan A with COLA	YES
Chesterville, Town Of	Regular Plan A with COLA	YES
China, Town Of	Regular Plan A without COLA	YES
Corinna, Town Of	Regular Plan A with COLA	YES
Cumberland County	Regular Plan A with COLA	YES
Cumberland, Town Of	Regular Plan B with COLA	YES
Dexter, Town Of	Regular Plan A with COLA	YES
Dover-Foxcroft, Town Of	Regular Plan A without COLA	YES
Durham, Town Of	Regular Plan A without COLA	NO
East Millinocket	Regular Plan A with COLA	YES
East Millinocket	Law Enforcement, Special Plan 2 with COLA	YES
Easton, Town Of	Regular Plan A with COLA	NO
Eliot, Town Of	Regular Plan A with COLA	YES
Eliot, Town Of	Law Enforcement, Special Plan 4 with COLA	YES
Ellsworth, City Of	Firefighter, Special Plan 4 with COLA	YES
Ellsworth, City Of	Law Enforcement, Special Plan 4 with COLA	YES
Fairfield, Town Of	Firefighter, Special Plan 3 with COLA	YES
Fairfield, Town Of	Law Enforcement, Special Plan 3 with COLA	YES
Falmouth, Town Of	Regular Plan A with COLA	YES
Farmington, Town Of	Regular Plan A with COLA	YES
Farmington, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
Fort Fairfield, Town Of	Regular Plan A with COLA	YES
Freeport, Town of	Law Enforcement, Special Plan 2 with COLA	YES
Freeport, Town of	Firefighter, Special Plan 2 with COLA	YES
Frenchville, Town Of	Regular Plan A without COLA	YES
Gardiner, City Of	Firefighter, Special Plan 3 without COLA	NO
Gardiner, City Of	Law Enforcement, Special Plan 3 without COLA	NO
Glenburn, Town Of	Regular Plan A with COLA	YES
Greenville, Town Of	Regular Plan A with COLA	YES
Hallowell, City Of	Regular Plan A with COLA	YES
Hampden, Town Of	Regular Plan A without COLA	YES
Hancock County	Regular Plan A with COLA	YES
Harrison, Town Of	Regular Plan B with COLA	YES
Hermon, Town Of	Regular Plan A without COLA	YES

## Participating Local District Plan C Coverage

Hodgdon, Town Of	Regular Plan A without COLA	YES
Houlton, Town Of	Regular Plan A with COLA	YES
Jay, Town Of	Regular Plan A with COLA	YES
Kennebec County	Regular Plan A with COLA	YES
Kennebunk, Town Of	Regular Plan A with COLA	YES
Kennebunk, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
Kennebunkport, Town Of	Regular Plan A without COLA	YES
Kennebunkport, Town Of	Law Enforcement, Special Plan 1 without COLA	YES
Kittery, Town Of	Regular Plan A with COLA	YES
Kittery, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
Lebanon, Town Of	Regular Plan A with COLA	YES
Lewiston, City Of	Regular Plan A with COLA	YES
Lewiston, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Lincoln County	Law Enforcement Special Plan 2 with COLA	YES
Lincoln, Town Of	Firefighter, Special Plan 3 without COLA	YES
Lincoln, Town Of	Law Enforcement, Special Plan 3 without COLA	YES
Linneus, Town Of	Regular Plan A without COLA	YES
Lisbon, Town Of	Regular Plan A with COLA	YES
Lisbon, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
Livermore Falls, Town Of	Regular Plan A without COLA	YES
Lovell, Town Of	Regular Plan A with COLA	YES
Lubec, Town Of	Regular Plan A without COLA	YES
Madawaska, Town Of	Regular Plan A with COLA	YES
Mapleton, Town Of	Regular Plan A with COLA	NO
Mars Hill, Town Of	Regular Plan A with COLA	YES
Mechanic Falls, Town Of	Regular Plan A with COLA	YES
Medway, Town Of	Regular Plan A with COLA	YES
Mexico, Town Of	Regular Plan A with COLA	YES
Milford, Town Of	Regular Plan A without COLA	YES
Millinocket, Town Of	Firefighter, Special Plan 4 with COLA	YES
Millinocket, Town Of	Law Enforcement, Special Plan 3 with COLA	YES
Monson, Town Of	Regular Plan A without COLA	YES
Mt. Desert, Town Of	Regular Plan A with COLA	YES
New Gloucester, Town Of	Regular Plan A without COLA	YES
North Berwick, Town Of	Regular Plan A without COLA	YES
North Berwick, Town Of	Law Enforcement, Special Plan 1 without COLA	YES
Norway, Town Of	Regular Plan A with COLA	YES
Old Orchard Beach, Town of	Law Enforcement, Special Plan 2 with COLA	YES
Old Orchard Beach, Town of	Firefighter, Special Plan 2 with COLA	YES

# **Participating Local District Plan Coverage**

Old Town, City Of	Firefighter, Special Plan 2 without COLA	YES
Old Town, City Of	Law Enforcement, Special Plan 2 without COLA	YES
Orland, Town Of	Regular Plan A without COLA	YES
Orrington, Town Of	Regular Plan A without COLA	YES
Otisfield, Town Of	Regular Plan A with COLA	YES
Oxford County	Law Enforcement, Special Plan 2 with COLA	YES
Oxford, Town Of	Regular Plan A without COLA	YES
Paris, Town Of	Regular Plan A without COLA	YES
Penobscot County	Regular Plan A with COLA	YES
Phippsburg, Town Of	Regular Plan A with COLA	NO
Piscataquis County	Regular Plan A with COLA	YES
Pittsfield, Town Of	Regular Plan A without COLA	YES
Portland, City Of	Firefighter, Special Plan 2 with COLA	NO
Portland, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Princeton, Town Of	Regular Plan A without COLA	YES
Rockland, City Of	Firefighter, Special Plan 3 with COLA--	NO
Rockland, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Rockport, Town Of	Regular Plan A without COLA	YES
Rumford Fire & Police	Firefighter, Special Plan 4 with COLA	NO
Rumford Fire & Police	Law Enforcement, Special Plan 4 with COLA	NO
Sabattus, Town Of	Regular Plan A without COLA	YES
Saco, City Of	Firefighter, Special Plan 2 without COLA	YES
Saco, City Of	Law Enforcement, Special Plan 2 without COLA	YES
Sagadahoc County	Law Enforcement, Special Plan 3 with COLA	YES
Scarborough, Town Of	Regular Plan A with COLA	YES
Scarborough, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
Searsport, Town Of	Regular Plan A without COLA	YES
Skowhegan, Town Of	Firefighter, Special Plan 3 with COLA	YES
Skowhegan, Town Of	Law Enforcement, Special Plan 3 with COLA	YES
South Berwick, Town Of	Regular Plan A with COLA	YES
South Portland, City Of	Firefighter, Special Plan 2 with COLA	NO
South Portland, City Of	Law Enforcement, Special Plan 2 with COLA	YES
St. Agatha, Town Of	Regular Plan A without COLA	YES
Topsham, Town Of	Regular Plan A with COLA	YES
Topsham, Town Of	Law Enforcement Special Plan 3 with COLA	YES
Van Buren, Town Of	Regular Plan A with COLA	NO
Vassalboro, Town Of	Regular Plan A with COLA	YES
Waldo County	Regular Plan A with COLA	YES
Waldoboro, Town Of	Regular Plan A with COLA	NO

## Participating Local District Plan Coverage

Waldoboro, Town Of	Law Enforcement, Special Plan 3 with COLA	NO
Washburn, Town Of	Regular Plan A without COLA	YES
Washington County	Regular Plan A with COLA	YES
Waterville Fire & Police	Firefighter, Special Plan 3 without COLA	NO
Waterville Fire & Police	Law Enforcement, Special Plan 3 without COLA	NO
Winslow, Town Of	Regular Plan A without COLA	YES
Winthrop, Town of	Regular Plan A with COLA	YES
Yarmouth Water District	Regular Plan A	NO
Yarmouth, Town Of	Regular Plan A	NO
Yarmouth, Town Of	Firefighter, Special Plan 2 with COLA	YES
Yarmouth, Town Of	Law Enforcement, Special Plan 2 with COLA	YES
York County	Law Enforcement, Special Plan 2 with COLA	YES
York, Town Of	Regular Plan A with COLA	YES
York, Town Of	Law Enforcement, Special Plan 2 with COLA	YES

### WITHDRAWN PLDS\*

\*A withdrawn PLD does not permit new hires to join the MSRS, but employees who were members on the effective date of withdrawal are permitted to remain members. Withdrawn districts listed may or may not have any employees who are active contributing MSRS members.

Bangor, City Of	Firefighter, Special Plan 2 with COLA	NO
Bangor, City Of	Law Enforcement, Special Plan 2 with COLA	NO
Bradford, Town Of	Regular Plan without COLA	YES
Bridgton, Town of	Regular Plan without COLA	YES
Brownville, Town of	Regular Plan without COLA	YES
Cape Elizabeth, Town of	Regular Plan with COLA	Yes
Castle Hill	Regular Plan with COLA	NO
Chapman	Regular Plan with COLA	NO
Damariscotta, Town of	Regular Plan with COLA	YES
Dixfield, Town of	Regular Plan without COLA	YES
Fort Kent, Town of	Regular Plan without COLA	YES
Franklin County	Regular Plan with COLA	YES
Fryeburg, Town Of	Regular Plan A without COLA	YES
Georgetown, Town of	Regular Plan without COLA	YES
Gorham, Town Of	Regular Plan A with COLA	YES
Gorham, Town Of	Law Enforcement, Benefit Plan 4 with COLA	YES
Harpswell, Town Of	Regular Plan A with COLA	YES
Howland, Town of	Regular Plan without COLA	YES



## Participating Local District Plan Coverage

Knox County	Regular Plan with COLA	YES
Limestone, Town of	Regular Plan without COLA	YES
Milo, Town of	Regular Plan without COLA	YES
Naples, Town Of	Regular Plan A without COLA	YES
New Canada Plantation	Regular Plan without COLA	YES
Presque Isle, City Of	Firefighter 2/3 AFC, 25 years of service, age 55, with COLA	NO
Presque Isle, City Of	Law Enforcement 2/3 AFC, 25 years of service, age 55, with COLA	NO
Readfield, Town Of	Regular Plan without COLA	YES
Richmond, Town of	Regular Plan without COLA	YES
Somerset County	Regular Plan A with COLA	YES
Thomaston, Town of	Regular Plan with COLA	YES
Wells, Town Of	Firefighter, Benefit Plan 3 with COLA	YES
Wells, Town Of	Law Enforcement, Benefit Plan 3 with COLA	YES
Westbrook Fire & Police	Firefighter 1/2 AFC, 25 years of service, no age, with COLA	NO
Westbrook Fire & Police	Law Enforcement 1/2 AFC, 25 years of service, no age, with COLA	NO
Wilton, Town of	Regular Plan without COLA	YES

## **APPENDIX G**

### **Chart Illustrating the Impact of Various Portability Provisions on Retirement Benefits**

**VARIATIONS of IMPACT on RETIREMENT BENEFIT**  
**WHEN an EMPLOYEE MOVES FROM ONE EMPLOYER TO ANOTHER**  
**(Examples based on an Employee (E'ee) moving from Employer A (E'r A) to Employer B (E'r B))**

**NO PORTABILITY**

<b>When it applies currently</b>	<b>How it affects eligibility to retire</b>	<b>How it affects the calculation of benefit</b>	<b>Comments</b>
<p>Whenever there is no portability, for example</p> <ul style="list-style-type: none"> <li>When E'ee moves from a State Employee MSRS Plan (Regular or Special) to a PLD Plan (Regular or Special) or vice versa</li> <li>When E'ee moves from a non-Consolidated Plan PLD Plan (Regular or Special) to a Consolidated Plan PLD Plan (Regular or Special) or vice versa</li> </ul>	<p><b>To retire from a Special Plan:</b> Years of service in E'r A's Plan (Regular or Special) are <u>not</u> counted toward meeting the years-of-service requirement for eligibility to retire from E'r B's Special Plan</p> <p><b>To retire from a Regular Plan:</b> All years of service, regardless of employer, are counted toward meeting the years-of-service requirement for eligibility to retire from the Regular Plan</p>	<p>Benefit calculation is made in 2 parts (<b>split benefit</b>): average final compensation (AFC) and accrual rate for each plan are multiplied by the years of service in only that plan</p> <p>If E'ee does not meet requirements for eligibility to retire from the Special Plan, the benefit is paid under the Regular Plan (which may include a reduction for early retirement if E'ee retires before reaching normal retirement age for the Regular Plan)</p>	<ul style="list-style-type: none"> <li>Benefit is often lower than it would be if all years of service were in E'r B's Plan (assuming that AFC with E'r B is higher than AFC with E'r A; benefit from E'r B's Plan does not reflect the higher AFC)</li> <li>Benefit paid under a Regular Plan (with applicable reduction for age, if applicable) is usually lower than a Special Plan benefit</li> <li>E'ee often has to work more years with E'r B to complete Special Plan eligibility than would be required if years were portable</li> <li>There is no impact on the funding of either Plan; E'ee and E'r dollars contributed to E'r A's Plan do not transfer to E'r B's Plan. E'ee may be able to withdraw E'ee contributions from E'r A's Plan at termination, but the possibility of termination, withdrawals and noncompletion of plans are assumed in the actuarial calculation of required employer contributions to that Plan</li> </ul>

## FULL PORTABILITY

When it applies currently	How it affects eligibility to retire	How it affects the calculation of benefit	Comments
<p>When E'ee moves from one employer to another in the same plan, for example</p> <ul style="list-style-type: none"> <li>E'ee moves from one municipality in the PLD Consolidated Plan Special Plan #2 to a different municipality in the PLD Consolidated Plan Special Plan #2</li> </ul> <p>When an E'ee has otherwise non-portable service, but E'r B agrees to assume the liability associated with full portability. (This is permitted by statute when E'ee terminates with one MSRS-Plan employer and becomes reemployed with a different MSRS-Plan employer whose plan does not otherwise permit portability)</p>	<p>Years of service for both employers are added together in determining eligibility to retire. Years count one-for-one.</p>	<p>Benefit is NOT a split benefit</p> <p>AFC is the highest of all years of employment regardless of employer</p> <p>All years of service are counted equally in the calculation of the benefit</p> <p>The accrual rate is the same for all years</p>	<ul style="list-style-type: none"> <li>Retirement is not affected by the change of employer</li> </ul> <p>Full Portability within the PLD Consolidated Plan</p> <ul style="list-style-type: none"> <li>All E'ee and E'r contributions are paid into and remain in the Consolidated Plan #2 fund</li> <li>There is some impact on plan funding. Portability and higher benefit payments are assumed when required employer contributions are calculated, so the funding impact is spread to all employers in the plan</li> <li>No additional impact on individual employers</li> </ul> <p>Employer-paid full portability</p> <ul style="list-style-type: none"> <li>E'ee and E'r contributions are transferred from E'r A's account to E'r B's account</li> <li>There is some impact on funding of E'r A's Plan. Terminations, withdrawals and non-completion of plans are assumed in the actuarial calculation of required employer contributions to that Plan</li> <li>More significant impact on funding of E'r B's account in order to pay the E'ee's increased benefit</li> </ul>

## WEIGHTING of BENEFIT

When it applies currently	How it affects eligibility to retire	How it affects the calculation of benefit	Comments
<p>When E'ee moves from one PLD Special Plan to a Different PLD Special Plan (Both in the Consolidated Plan)</p>	<p>Years of service for E'r A are counted toward meeting the years of service eligibility requirement, but do not count one-for-one</p> <p>The percentage of the eligibility requirement satisfied in E'r A's Plan (the number of years served divided by the number of years required for eligibility) is used to impute the number of years served under E'r B's Plan.</p> <p>Example:</p> <ul style="list-style-type: none"> <li>E'ee served 10 years in E'r A's Plan, which requires 20 years to be eligible; E'ee has satisfied 50% of the eligibility requirement</li> <li>E'r B's Plan requires 25 years for eligibility. E'ee is deemed to have satisfied 50% of that requirement; therefore E'ee is deemed to have served 12-1/2 years under E'r B's Plan <b>for purposes of determining eligibility to retire</b> (but this does not carry over to the benefit calculation)</li> </ul>	<p>Benefit is calculated as a SPLIT BENEFIT</p> <p>AFC is the highest of all years of employment regardless of employers</p> <p>Years of service in each plan is multiplied by accrual rate of each plan and AFC to determine benefit</p>	<ul style="list-style-type: none"> <li>E'ee may have to work more years with E'r B or be able to work fewer years with E'r B to complete special plan eligibility</li> </ul> <p>Consolidated Plan Funding Impact</p> <ul style="list-style-type: none"> <li>There is some impact on funding. Weighted service and increased benefit values are assumed in the actuarial calculation of required employer contributions, so the funding impact is shared across Consolidated Plan employers</li> <li>No additional funding impact to individual employers</li> </ul> <p>General application:</p> <ul style="list-style-type: none"> <li>There is a funding impact to both employers if this provision allows a person to meet the Special Plan eligibility requirements that they would not otherwise have met. If the person hadn't met the Special Plan eligibility requirements, a Regular Plan benefit would have been paid instead of a Special Plan benefit.</li> </ul>

## CONVERTIBILITY of SERVICE

When it applies currently	How it affects eligibility to retire	How it affects the calculation of benefit	Comments
E'ee who moves from a PLD Consolidated Plan Regular Plan to a PLD Consolidated Plan Special Plan (This may result from a change of employers or from a change of position with the same employer)	<p>Years of service from the Regular Plan are counted toward meeting the years of service eligibility requirement, but do not count one-for-one. Years in the Regular Plan are converted into some number of years in the particular Special Plan the E'ee joins</p> <p>Moving to Special Plan #1: 2 years of service in Regular Plan converts to 1 year of service in Special Plan #1</p> <p>Moving to Special Plan #2, 3 or 4: 3 years of service in Regular Plan converts to 2 years of service in Special Plan</p>	<p>No split benefit</p> <p>Once years are converted, as provided under "eligibility," those years are considered to have been earned under the Special Plan. Therefore, benefit is calculated as a single block, using converted years plus years under the Special Plan, AFC from all years of service and accrual rate of the Special Plan</p>	<ul style="list-style-type: none"> <li>E'ee may have to work more years to complete Special Plan eligibility</li> <li>Regular Plan service is not converted to Special Plan service if a split benefit calculation would result in a higher total benefit</li> </ul> <p>Consolidated Plan Funding Impact</p> <ul style="list-style-type: none"> <li>There is some impact on funding. Convertibility of service and increased benefit values are assumed in the actuarial calculation of required employer contributions, so the funding impact is shared across Consolidated Plan employers</li> <li>No additional funding impact to individual employers with whom service was earned</li> </ul> <p>General application: There is a funding impact to both employers if this provision allows E'ee to meet the Special Plan eligibility requirements that they would not otherwise have met. If the person hadn't met the Special Plan eligibility requirements, a Regular Plan benefit would have been paid instead of a Special Plan benefit.</p>

## EMPLOYEE PURCHASE of PORTABILITY

When it applies currently	How it affects eligibility to retire	How it affects the calculation of benefit	Comments
Not allowed under any current MSRS Plan	Years of service for both employers are added together in determining eligibility to retire. Years count one-for-one.	<p>Benefit is NOT a split benefit</p> <p>AFC is the highest of all years of employment regardless of employer</p> <p>All years of service are counted equally in the calculation of the benefit</p> <p>The accrual rate is the same for all years</p>	<p>The proposal is to allow an E'ee to pay the difference in actuarial value between:</p> <ul style="list-style-type: none"> <li>• The retirement benefit that would be due the E'ee under the new plan if there were no portability; and</li> <li>• The retirement benefit that would be due the E'ee if all prior years of service were earned with the new employer in the new plan</li> </ul> <p>Payments could be made in a lump sum, or over time, provided the full difference in actuarial value is paid by the E'ee</p> <p>Fees for actuarial services to calculate the cost for portability would need to be paid by the E'ee</p> <p><b>QUESTION for TASK FORCE MEMBERS: Would this permit any type of service (i.e., Regular or Special Plan) from any position (LEO, FF, other) to be portable as long as the cost is borne by the participant, or is the proposal limited to certain types of service?</b></p>

## **APPENDIX H**

### **Cost Estimates for Retiree Health Insurance Subsidy**



# **Task Force to Study Parity and Portability of Retirement Benefits for Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters**

## **Estimated Costs of State Contribution to Premium for Eligible Law Enforcement Officers and Firefighters**

The Task Force requested that the Office of Employee Health & Benefits (OEHB) provide an estimate of the costs for the State to contribute 40% (comparable to the contribution made on behalf of retired teachers) toward the individual premium for retired law enforcement officers and firefighters. The Maine State Retirement System (MSRS) provided data that there are approximately 1,524 law enforcement officer and firefighter MSRS members who are in at least a 25-year and out special plan.

The statute governing retired teachers provides that the State contribution applies to the individual premium for the group plan in which the retiree was last enrolled as an active teacher. Assuming that there would be a similar provision for retired law enforcement officers and firefighters we examined a range of monthly premium rates that might apply. Retired law enforcement officers and firefighters would likely be enrolled in as many group plans as there are available to active employees today. To illustrate the possible range of group plan premium rates we have provided the monthly rates for: the State of Maine POS (point-of-service) plan, the MEA Benefits Trust PPO (preferred provider organization), the Maine Municipal Employee Health Trust (MMEHT) POS, and the MMEHT indemnity plan.

In order to depict the range of potential costs we have estimated the costs in two ways. First, we projected costs if all 1,524 people were enrolled in each of the four plans and second, if the 1,524 people were enrolled proportionately in each plan – one-quarter, or 381 enrolled in each of the four plans. The purpose of both scenarios is to provide estimates to move the policy debate along. All premium rates are current.

### **Scenario I**

<b>Plan</b>	<b>Monthly Rate</b>	<b>State %</b>	<b>Subsidized Rate</b>	<b># of Members Enrolled</b>	<b>Annual Expense</b>
State	\$565.80	40	\$226.32	1,524	\$4,138,940
MEA	\$433.23	40	\$173.29	1,524	\$3,169,128
MMEHT (1)	\$514.07	40	\$205.63	1,524	\$3,760,525
MMEHT (2)	\$546.88	40	\$218.75	1,524	\$4,000,537

(1) The rate for the MMEHT POS plan is the “pooled” rate. Under the MMEHT rates for groups of 50 or more are determined partly by their own claims experience which can produce rates above or below the “pooled” rate.

(2) The rate for the MMEHT indemnity plan is also a “pooled” rate.

### Scenario II

<b>Plan</b>	<b>Monthly Rate</b>	<b>State %</b>	<b>Subsidized Rate</b>	<b># of Members Enrolled</b>	<b>Annual Expense</b>
State	\$565.80	40	\$226.32	381	\$1,034,735
MEA	\$433.23	40	\$173.29	381	\$ 792,282
MMEHT (1)	\$514.07	40	\$205.63	381	\$ 940,140
MMEHT (2)	\$546.88	40	\$218.75	381	\$1,000,125
Total	-	40	-	1,524	\$3,767,282

What these two scenarios suggest is that if all retired law enforcement officers and firefighters were enrolled in a plan comparable to the MEA Benefits Trust PPO the annual cost would be slightly less than \$3.2 million. It's more likely that the distribution of enrollment would produce an annual expense of approximately \$3.5 million based on 2004 rates.

Prepared by Frank Johnson,  
Director, State Employee Health  
September 2004

## 40% State Subsidy for Retiree Health Insurance for Municipal and County Law Enforcement Officers and Municipal Firefighters Retiring from MSRS Plans of "25/50 or Better"<sup>1</sup>

NOTE: This is a rough estimate, not an actuarial calculation. This estimate assumes that all current retirees from the relevant MSRS plans are eligible for the subsidy, as well as future retirees from those plans. (The estimate provided by Frank Johnson was based only on members who retire after the effective date of legislation)

Assuming: All members are in the same plan (e.g., row 1 assumes that all members retire from the State plan; row 2 assumes that all members retire from the MEA plan). This chart is comparable to Scenario I in Frank Johnson's materials.

Health Plan	State subsidy (40% of premium) <sup>2</sup>	Total subsidy Year 1 <sup>3</sup>	Increase in subsidy due only to additional retirees (40 per year) <sup>4</sup>
State	\$226.32	\$2,805,463	\$108,633
MEA	\$173.29	\$2,148,102	\$83,179
MMEHT (1)	\$205.63	\$2,548,989	\$98,702
MMEHT (2)	\$218.75	\$2,711,625	\$105,000

Assuming: Retirees are evenly split among these 4 plans. This chart is comparable to Scenario II of Frank Johnson's materials

Health Plan	State subsidy (40% of premium)	Total subsidy Year 1	Annual increase in subsidy due only to additional retirees
State	\$226.32	\$701,365	\$27,158
MEA	\$173.29	\$537,025	\$20,795
MMEHT (1)	\$205.63	\$637,247	\$24,676
MMEHT (2)	\$218.75	\$677,906	\$26,250
<b>Total</b>		<b>\$2,553,544</b>	<b>\$98,879</b>

Prepared by the Office of Policy & Legal Analysis

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<sup>1</sup> "25/50 or better" plans means Maine State Retirement System (MSRS) Consolidated Plan Special Plans #2 with cost-of-living adjustment, and Special Plans #1 and 3 with or without COLA

<sup>2</sup> Premium numbers supplied by Frank Johnson

<sup>3</sup> Based on 1,033 current retirees from 25/50 or better plans, provided by the MSRS

<sup>4</sup> 40 retirees per year is the average over the years 1999-2003, based on MSRS information

## Different Levels of State Subsidy for Retiree Health Insurance for Law Enforcement Officers and Firefighters Retiring from MSRS Plans of 25/50 or Better<sup>1</sup>

NOTE: This is a rough estimate, not an actuarial calculation. This chart assumes that all current retirees from the relevant MSRS plans are eligible for the subsidy, as well as future retirees from those plans

This estimate shows varying costs based on 6 different assumptions.

- The first 4 rows assume that all members are retiring from the same plan;
- Row 5 assumes that 1/4 of members retire from each of the 4 plans;
- Row 6 assumes that all members retire from the State plan, but that 40% of retirees are over age 65 and therefore covered by Medicare; those retirees have a Medicare supplement policy, which has a lower premium than the pre-Medicare plan

Health Plan (monthly premium)	40% Subsidy		75% Subsidy		100% Subsidy	
	Year 1 1033 Ret'ees	Yrly increase (40 retirees) <sup>2</sup>	Year 1 1033 Ret'ees	Yrly increase (40 retirees)	Year 1 1033 Ret'ees	Yrly increase (40 retirees)
State (\$565.80)	\$2,805,463	\$108,633	\$5,260,243	\$203,686	\$7,013,658	\$271,582
MEA (\$433.23)	\$2,148,102	\$83,179	\$4,027,691	\$155,960	\$5,370,255	\$207,947
MMEHT 1 (\$514.07)	\$2,548,989	\$98,702	\$4,779,354	\$185,066	\$6,372,472	\$246,755
MMEHT 2 (\$546.88)	\$2,711,625	\$105,000	\$5,084,296	\$196,875	\$6,779,062	\$262,500
¼ in each (avg. \$515)	\$2,553,544	\$98,879	\$4,787,895	\$185,397	\$6,383,860	\$247,197
State plan 60% pre- Medicare; <sup>3</sup> (avg. \$461.19)	\$2,286,764	\$88,548	\$4,287,683	\$166,028	\$5,716,911	\$221,371

Prepared by the Office of Policy & Legal Analysis

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<sup>1</sup> "25/50 or better" plans means Maine State Retirement System (MSRS) Consolidated Plan Special Plans #2 with cost-of-living adjustment, and Special Plans #1 and 3 with or without COLA

<sup>2</sup> 40 retirees per year is the average over the years 1999-2003, based on MSRS information

<sup>3</sup> Of the 1033 current retirees from 25-50 or better plans, 38% are age 65 or older, according to the MSRS

## **APPENDIX I**

### **Information on Insurance Premium Taxes**

# **INFORMATION ABOUT THE INSURANCE PREMIUM TAX and FIRE INVESTIGATION and PREVENTION TAX**

## **INSURANCE PREMIUM TAX - 36 M.R.S.A. c. 357**

Every insurance company or association organized under the laws of this State is liable for a tax at the rate of 2% of gross direct premiums, (1% of long-term health care premiums) including annuity considerations, on all policies written in Maine, less allowed deductions. The tax on qualified group disability plans is 2.55% for large domestic insurers and 1% for all other insurers. Every non-resident insurance company authorized to do business in this State is liable for a tax on all policies written in Maine at the Maine rate or the rate at which a Maine company would be taxed in the state or Canadian province where the non-resident company is domiciled, whichever is greater. Reduced rates are provided for captive insurers.

**Revenue Notes - Insurance Premium Tax - Table OPF-1 and Table GF-1**  
Revenue from the Insurance Premium Tax accrues to the General Fund.

**In FY 2003, Insurance premium tax raised \$71,078,089**

### **History - Insurance Premium Tax**

Adopted in 1874. The rate on domestic companies was increased from 1% to 2% effective July 16, 1986. Amended in 1989 to reduce the rate to 1% of long-term health care premiums effective for tax years after 1988. Amended by PL 1997, c. 496, for tax years commencing on or after 1/1/97, to subject premiums on certain qualified group disability policies written by every insurer, except a large domestic insurer, to a 1% tax. Premiums on such policies written by every large domestic insurer are subject to a tax of 2.55%. PL 1997, c. 435 established reduced rates for non-Maine captive insurance companies.

## **FIRE INVESTIGATION AND PREVENTION TAX - 25 M.R.S.A. §2399**

Every insurance company or association doing business or collecting premiums or assessments in Maine is liable, in addition to the insurance company tax, for a tax at the rate of 1.4% of gross direct premiums for fire risks, less allowable deductions. These funds are used to defray expenses incurred by the Commissioner of Public Safety in fire prevention investigation and educating the public in fire safety and to defray the cost of fire training and education programs at the Maine Community College System (20-A M.R.S.A. Chapter 319). In fiscal year 2002, a special assessment equal to 0.4% of gross direct premiums for fire risks was assessed in addition to the regular assessment on all policies issued or renewed on or after July 1, 2001 and prior to July 1, 2002. In fiscal year 2003, another special assessment was added equal to 0.6% of gross direct premiums in addition to the regular assessment for all policies renewed on

or after July 1, 2002 and prior to July 1, 2003. The amount of the special assessment is capped at \$983,000 in fiscal year 2003.

**Revenue Notes –**

**Fire Investigation and Prevention Tax - Table OPF-1 & Table OSR-1**

Revenue from this tax accrues as dedicated revenue to the Office of the State Fire Marshall within the Department of Public Safety which transfers a portion of these funds to the Maine Community College System.

In FY03, the tax brought in \$4,891,046 (This number presumably included the special assessment; in FY02, the tax raised \$3,256,319 and in FY01: \$2,538,267)

**History - Fire Investigation and Prevention Tax**

Adopted and first imposed February 17, 1939 at 0.5%. Increased October 3, 1973 to 0.6%. Increased October 24, 1977 to 0.75%. Increased March 10, 1983 to 0.95%. Increased July 17, 1991 to 1.4%. PL 2001, c. 437 implemented a special assessment equal to 0.4% of gross direct premiums in addition to the regular assessment in fiscal year 2002. P&S 2001, c. 67 a special assessment of 0.6% of gross direct premiums in fiscal year 2003 and capped the revenue from the special assessment to \$983,000 in fiscal year 2003 and allowed a credit against insurance premium tax for the amount of the fiscal year 2003 special assessment after July 1, 2003. PL 2003, c. 20, Part Y delayed the insurance premium tax credit until after July 1, 2005.

From the Compendium of State Fiscal Information, FY03  
Maine State Legislature  
Office of Fiscal and Program Review

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# Premium Written in Maine by Property & Casualty Companies (2003)

(Bureau of Insurance Information, Rounded to the Nearest Million Dollars)  
(Total \$1,777,000,000)

Type of Insurance	2003 Premium (millions)	
<b>Types of P &amp; C Insurance Proposed to be Included in the Premium Tax</b>		
Homeowners Multiple Peril	216	
Commercial Multiple Peril	182	
Inland Marine	37	
Allied Lines	19	
Multiple Peril Crop	4	
Farm Owner Multiple Peril	2	
Aircraft Multiple Peril	5	
Burglary & Theft	.3	
Private Passenger Car Liability	343	
Private Passenger Car No-Fault	-42	
Commercial Auto Liability	107	
Commercial Auto No-Fault	48	
Private Passenger Car Physical Damage	274	
Commercial Auto Physical Damage	45	
Ocean Marine	21	
Fire	24	
Boiler & Machinery	7	
Other Liability	90	
<b>TOTAL</b>	<b>\$1,382.3</b>	
<b>Types of P &amp; C Insurance Proposed to be Excluded from the Premium Tax</b>		
Aggregate Write-ins	13	
Federal Flood	3	
Fidelity	4	
Surety	10	
Mortgage Guaranty	14	
Financial Guaranty	4	
Credit	2	
Title	37	
Medical Malpractice	39	
Earthquake	1	
Long-term Care	4	
Health	22	
Credit Accident and Health	1	
Workers Compensation	240	
Product Liability	5	
<b>TOTAL</b>	<b>\$399</b>	



**APPENDIX J**  
**Draft Legislation**

**PROPOSED LEGISLATION  
122<sup>nd</sup> LEGISLATURE, 1<sup>st</sup> REGULAR SESSION**

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**An Act to Implement Task Force Recommendations Relating to Parity and Portability of  
Retirement Benefits for Law Enforcement Officers and Firefighters**

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

**PART A**

**Sec. A-1. 5 MRSA, chapter 13, subchapter III is enacted to read:**

**SUBCHAPTER III  
Health Insurance Subsidy for  
Retired Law Enforcement Officers and Firefighters**

**§286-M. Subsidy**

**1. Eligibility.** The State shall pay a subsidy toward the cost of health insurance for eligible retired law enforcement officers and firefighters. A law enforcement officer or firefighter is eligible for the subsidy if that person is:

A. Retired from a position as a county or municipal law enforcement officer or municipal firefighter; and

B. Receiving a retirement benefit from a special plan administered by the Maine State Retirement System, as long as that plan allows for retirement after no more than 25 years of service, with a benefit of at least 50% of average final compensation, with no reduction for early retirement and with a cost-of-living adjustment, or from a special plan that does not provide a cost-of-living adjustment, but that requires fewer than 25 years of service in order to be eligible to retire or that provides a benefit of more than 50% of average final compensation after 25 years of service.

**2. Health insurance coverage; amount of subsidy.** Subject to the limitation provided in this subsection, the State shall pay 100% of the retiree portion of the health insurance premium for eligible law enforcement officers and firefighters.

A. If the retiree is eligible to participate in the health insurance plan of the retiree's former employer, the subsidy is based on the retiree portion of premium for that plan. If the retiree is not eligible to participate in the former employer's plan, the subsidy is based on the premium paid by the retiree for a comparable health insurance policy.

B. The subsidy paid under this section for an individual retiree may not exceed:

(1) If the retiree is eligible for Medicare, the cost of the Medicare supplement policy provided to state retirees pursuant to chapter 13, subchapter II; or

(2) If the retiree is not eligible for Medicare, the cost of the health insurance coverage for active state employees pursuant to chapter 13, subchapter II.

3. Administration. The Department of Administrative and Financial Services shall administer the subsidy program. The Department shall attempt to enter into agreements with health insurance providers to bill the Department directly for the premium. If the department is unable to form such agreements, the department may pay the subsidy as reimbursement to retirees after the retiree has paid the premium.

### **§286-N. Fund**

1. Fund created; revenue sources. The Retired Law Enforcement Officer and Firefighter Health Insurance Dedicated Revenue Fund, referred to in the subchapter as the "Fund," is established in the Department as a non-lapsing, dedicated account. The Fund consists of:

A. Employee contributions collected pursuant to section 286-O;

B. Taxes collected on certain property and casualty insurance premiums pursuant to Title 36, section 2513-C;

C. Interest earned on investments of the Fund; and

D. Any other private or public funds contributed to the Fund.

2. Uses. The Fund must be used to pay the premium subsidy provided for in section 286-M, for implementation costs for the premium subsidy program, and for no other purpose.

### **286-O. Employee contributions to the Fund**

A contribution of 1.5% of compensation must be paid to the Retired Law Enforcement Officer and Firefighter Health Insurance Dedicated Revenue Fund by each law enforcement officer and each firefighter who participates as an active employee in a Maine State Retirement System plan described in section 286-M, subsection 1, paragraph B. The employer of the officer or firefighter shall remit the contribution to the Fund. The Fund is a pooled account, and individual officers and firefighters do not have a right to funds deposited in the Fund, except as provided in Title 5, section 286-M.

### **§286-P. Report and review of funding**

The Department shall submit a report to the 1<sup>st</sup> Regular Session of the 125<sup>th</sup> Legislature on revenue to the Retired Law Enforcement Officer and Firefighter Health Insurance Dedicated Revenue Fund, expenditures from the Fund, any balance remaining in the Fund as of the close of the prior fiscal year, and a projection of funding needs for the next 5 years. The report shall provide options, based on projections of future need, for changing the method of funding the subsidy, which may include increase, elimination or decrease in the premium tax rate, employee contributions, or both.

Sec. A-2. 36 MRSA §2513-C is enacted to read:

**§2513. Additional tax on premium**

**1. Tax imposed.** In addition to the tax imposed in section 2513, a tax of .50% is imposed on the gross direct premium on contracts written or risks located or resident in the State for the following types of insurance:

- A. Private passenger car liability or physical damage;
- B. Commercial auto liability, no-fault or physical damage;
- C. Homeowners multiple peril;
- D. Commercial or farm owners multiple peril;
- E. Allied lines;
- F. Inland marine;
- G. Aircraft multiple peril;
- H. Boiler and machinery;
- I. Fire;
- J. Burglary and theft;
- K. Ocean marine; and
- L. Other liability insurance

**2. Collection and deposit of tax.** The State Tax Assessor shall collect the tax imposed by this section and shall deposit receipts in the Retired Law Enforcement Officer and Firefighter Health Insurance Dedicated Revenue Fund created in Title 5, section 286-N.

**3. Applicability of this chapter.** The tax imposed under this section is imposed on premium following the same credits and deductions as allowed for the tax imposed in section 2513. For purposes of collection and enforcement, this tax is considered a part of the tax collected by section 2513.

**Sec. A-3. Report.** The Bureau of Insurance shall submit a report to the 2<sup>nd</sup> Regular Session of the 122<sup>nd</sup> Legislature setting forth optional methods of collecting equitable amounts of contributions toward the cost of retiree health insurance from businesses that do not purchase the types of insurance contracts listed on Title 36, section 2513, subsection 1, as enacted in this Act. The Bureau shall submit the report not later than December 1, 2004. The report must include a description of other examples where non-insured entities are assessed for certain costs on a basis other than insurance premium, for example, under the workers' compensation law.

**PART B**

Sec. B-1. 5 MRSA § 17656, sub-§1, ¶D is enacted to read:

D. If the plan from which the member is transferring and the plan to which the member is transferring are both plans described in Title 5, section 286-M, subsection 1, paragraph B, the member may elect to make the contribution necessary to include all or part of the creditable service and earnable compensation from the prior plan in the new plan. The MSRS shall establish procedures for determining the contribution necessary for such a

member to carry forward all or part of the creditable service and earnable compensation from a prior plan or plans.

**Sec. B-2. 5 MRSA §18253, sub-§1, ¶E** is enacted to read:

E. If the plan from which the member is transferring and the plan to which the member is transferring are both plans described in Title 5, section 286-M, subsection 1, paragraph B, the member may elect to make the contribution necessary to include all or part of the creditable service and earnable compensation from the prior plan in the new plan. The MSRS shall establish procedures for determining the contribution necessary for such a member to carry forward all or part of the creditable service and earnable compensation from a prior plan or plans.

## SUMMARY

This bill is the unanimous recommendation of the Task Force to Study Parity and Portability of Retirement Benefits for State Law Enforcement Officers, Municipal and County Law Enforcement Officers and Firefighters.

Part A creates a state subsidy for the cost of retiree health insurance for municipal and county law enforcement officers and municipal firefighters who retire from certain Maine State Retirement System retirement plans. To pay for the subsidy, the bill creates a dedicated account funded from 2 sources: a ½ of 1% premium tax on certain types of property and casualty insurance policies, including homeowners insurance and commercial and personal car insurance, and a contribution of 1.5% of compensation from active municipal and county law enforcement officers and municipal firefighters who participate in certain retirement plans and are likely to be eligible for the subsidy upon retirement. Officers and firefighters are eligible for the subsidy only if they have retired from a Maine State Retirement System retirement plan that provides for retirement after 25 years of service, with a benefit of 50% of average final compensation and a cost-of-living adjustment, or a better MSRS retirement plan. The bill requires the Department of Administrative and Financial Services to report on revenue and funding of the subsidy to the Legislature in 2011. It also requires the Bureau of Insurance in the Department of Professional and Financial Regulation to submit a report to the 2<sup>nd</sup> Regular Session of the 122<sup>nd</sup> Legislature setting forth options for collecting contributions toward the cost of the retiree health insurance subsidy from businesses that do not purchase insurance for the types of property and casualty risks described in the bill.

Part B allows state, county and municipal law enforcement officers and municipal firefighters who change employers to purchase portability of their retirement benefits, if they are changing retirement plans and the plan to which they are moving does not provide portability. Portability would allow a person to count all or a portion of years of service from an earlier retirement plan when calculating a benefit or meeting the years-of-service requirement in a later retirement plan, and to count compensation from all years of service in determining average final compensation, one of the factors in calculating a retirement benefit. This provision would only apply to persons moving among the types of MSRS retirement plans described above.