

PROPOSED RULE (REPEAL AND REPLACE) JULY 2010

94-411 MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chapter 406 Payment or Repayment of Contributions and Interest for the Purchase of Creditable Service

SUMMARY: This Chapter provides the requirements for members to pay or repay contributions and applicable interest for the purchase of creditable service and sets the basis for granting creditable service when a member has made the required payment.

SECTION 1. DEFINITIONS

1. Current employer. "Current employer" means:
 - A. The same Maine Public Employees Retirement System ("MainePERS") employer as the one by which the member is currently employed; or
 - B. For State employees and teachers (as defined in 5 MRSA §§ 17001(40) and 17001(42), respectively), the State of Maine or a Maine public school; or,
 - C. For a Legislator, as defined in 3 MRSA §701(11), the Legislature; or
 - D. For a Judge, as defined in 4 MRSA §1201(12), Maine's Supreme, Superior, District or Administrative Courts; or
 - E. For a participating local district (PLD) employee employed in a PLD in the Consolidated Plan, any PLD that is in the Consolidated Plan.
2. Previous employer. "Previous employer" means any employer who is not the "current employer" as defined in subsection 1.
3. Lump sum payment. "Lump sum payment" means a one-time payment made by a member in an amount that is equal to the total amount owed for all service available in a given category, as set forth in Section 2.
4. Partial payment. "Partial payment" means a payment made by a member in an amount that is less than the total amount owed for all service available in a given category, as set forth in Section 2.

SECTION 2. CATEGORIES OF CREDITABLE SERVICE

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The categories of creditable service are:

1. Back time, which is service with an employer, as a state employee, teacher, or participating local district employee, when the employee was not a member of the System and, therefore, did not make contributions.
2. Refunded contributions from “current employer”, which is service with a member's “current employer” when the employee was a member of the System and made contributions that were refunded when the member terminated employment or membership.
3. Refunded contributions from “previous employer” or employers, which is service with a member's previous employer or employers when the employee was a member of the System and made contributions that were refunded when the member terminated employment or membership. If a member has had refunds representing contributions for service with more than one “previous employer”, the refund relating to each “previous employer” is a separate category for the purposes of this chapter. A member who is eligible to purchase creditable service under Category 2 (“current employer” refund) must purchase that service before purchasing service under this category.
4. Service in the armed forces, which is service in the armed forces of the United States before becoming a member of the System.
5. Out-of-state service, which is service by a member in another state in a category of employment that is eligible for membership in the public employee or teacher retirement system of that state.
6. Other service, which is several other categories of creditable service available for purchase, all of which require that the cost of purchasing the service is the amount of the actuarial equivalent, at the effective date of the retirement benefit, of the additional benefit attributable to the additional creditable service to be purchased, as follows:
 - A. Out-of-state service of a member that is not allowed under 5 MRSA §§ 17754(1) and 18354(1), but is allowed under 5 MRSA §§ 17754(2) and 18354(2);
 - B. Service as a teacher in a private or parochial school that is not allowed under 5 MRSA §§ 17763(1) and 18362(1), but is allowed under 5 MRSA §§ 17763(4) and 18362(1-A);

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- C. Service in Vista, the Peace Corps, the Fulbright Exchange Program or the Head Start Program in Maine;
 - D. Service as a teacher in schools for children of U.S. Foreign Service Corps or U.S. Armed Forces personnel outside the continental United States;
 - E. Employment as a teacher's aide or Educational Technician I, whether or not such employment was as a MainePERS member and when, subsequent to such employment, the person becomes a teacher member;
 - F. Unused accrued or accumulated sick leave, unused vacation leave, or a combination of both, which exceeds 90 days and for which the member is credited on termination of service;
 - G. The period of service during which a member took an unpaid or partially paid educational leave pursuant to the Maine Educational Leave Act;
 - H. CETA service of a member that is not allowed under 5 MRSA §§ 17707(4)(C) and 18308(4)(C), but is allowed under 5 MRSA §§ 17707(4)(D) and 18308(4)(D);
 - I. The period of service during which an elected official, an official appointed for a fixed term, or a substitute teacher who began membership after December 31, 1985, elected not to be a member of the MainePERS; and
 - J. The period of service prior to July 1, 1976 during which a member performed any work as a teacher of a child with a disability.
 - K. Service in the armed forces that is allowed under 5 MRSA §§ 17760(5) and 18360(2)(I).
7. Service while receiving Workers' Compensation benefits, which is service during the period in which a member who was employed in a MainePERS-covered position received Workers' Compensation benefits from which MainePERS contributions were not deducted.
8. Service in a parochial school or public or private academy.

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9. Service for days off without pay that result from employer budgetary actions.
10. Service of a Participating Local District member who is in service when district participation begins.

SECTION 3. METHOD OF PAYMENT

The member must designate which category of creditable service is to be purchased. A member purchasing creditable service through partial payments who is eligible to purchase creditable service in more than one category must complete payment for the first designated category before beginning payment on the next category.

A member may purchase creditable service by lump sum or through partial payments as follows:

1. Lump sum payment. By making a single lump sum payment to the MainePERS at any time, subject to the provisions of subsection 3, of all principal and interest owed for all creditable service the member is eligible to purchase in any category of creditable service; or
2. Partial Payments
 - A. Payroll Deduction. By making an increased rate of contribution to MainePERS through payroll deduction, subject to the following provisions:
 - (1) The minimum payroll deduction amount is \$50.00 per month, or the amount as established in subparagraph (2), whichever is greater.¹
 - (2) The cost for the purchase of creditable service through payroll deduction will be amortized over a period ending on a date determined by the member, not to exceed ten years, or on the last day of the month preceding the normal retirement age of the member, or on the last day of the month preceding the member's anticipated retirement date, whichever is earlier.

¹ For members purchasing creditable service through payroll deduction prior to the effective date of this rule, the minimum payroll deduction amount is \$25.00 per month.

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- (3) The member may change the specific payroll deduction amount, to an amount that is not less than the minimum payment amount as established in subparagraph (1), no more than once quarterly. The System will adjust either the amortization schedule or the amount of creditable service accordingly.
 - (4) In the event of a change in the rate of regular interest applied to the amount due, the System will:
 - a. in the case of a decrease in the interest rate, adjust the amortization period accordingly; or
 - b. in the case of an increase in the interest rate, adjust the amount of creditable service purchased accordingly, based on the original amortization period.
 - (5) The member may start or stop a payroll deduction authorization no more than once quarterly. If the member elects to stop an authorized payroll deduction, and subsequently elects to restart the payroll deduction, the member must submit a new authorization. The required payroll deduction will be recalculated under this paragraph to include any additional interest that has accrued.
 - (6) The member may also make periodic payments under the provisions of paragraph B toward the same category of service for which the member is making payments through payroll deduction.
- B. Periodic Payments. By making a payment to MainePERS at any time of a portion of the principal and interest owed for all creditable service the member is eligible to purchase in any category of creditable service.
- (1) The minimum periodic payment is \$50.00 or, if the member is making payment only through periodic payments as provided in this paragraph, the amount as established in subparagraph (3), whichever is greater.
 - (2) Periodic payments may be made no more than once per month.

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- (3) The cost for the purchase of creditable service through periodic payments will be amortized over a period ending on a date determined by the member, not to exceed ten years, or on the last day of the month preceding the normal retirement age of the member, or on the last day of the month preceding the member's anticipated retirement date, whichever is earlier.
- (4) The member may change the periodic payment amount, to an amount that is not less than the minimum amount as established in subparagraph (1), no more than once quarterly. The System will adjust the amortization schedule or creditable service, accordingly.
- (5) In the event of a change in the rate of regular interest applied to the amount due, the System will adjust the amortization period or amount of creditable service accordingly.
 - a. in the case of a decrease in the interest rate, adjust the amortization period accordingly; or
 - b. in the case of an increase in the interest rate, adjust the amount of creditable service purchased accordingly, based on the original amortization period.
- (6) The member may also make payroll deductions under the provisions of paragraph A toward the same category of service for which the member is making periodic payments.

3. Time Limits

Principal and interest payments for the purchase of creditable service must be made prior to the date the retirement allowance becomes effective, or credit will be granted for only the portion of time paid.

Payments may be made after the effective date of retirement provided that:

- A. The member initiates a cost inquiry prior to retirement, but MainePERS has not received sufficient information to verify the service prior to the effective date of retirement; and

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- B. Payment is made within ten (10) business days of written notification to the member of the availability of the additional service. MainePERS will adjust the amount of the retirement allowance as of the first day of the month following the date on which MainePERS receives the payment.

SECTION 4. NO RECISSION OF PURCHASE OF CREDITABLE SERVICE

A member who purchases creditable service may not rescind the purchase of that service nor receive a refund of the payment or payments made towards that purchase unless the member takes a refund of all member contributions under the provisions of 3 M.R.S.A. § 805-A, 4 M.R.S.A. § 1305-A, or 5 M.R.S.A. §§17705-A or 18306-A.

SECTION 5. NO PAYMENT BY BENEFICIARY

After the death of a member, no payment may be made by the beneficiary of the member to purchase additional creditable service.

SECTION 6. GRANTING OF CREDITABLE SERVICE

- 1. When a member requests the cost to purchase creditable service in any category of creditable service except Category 6, "Other service," the System will determine the contributions and applicable interest required to purchase all creditable service that the member is eligible to purchase in each selected category. At the time the balance due is determined, the total creditable service the member is eligible to purchase in each category will also be determined and recorded. Upon making a payment under Section 3, the member will be granted creditable service as follows:
 - A. Lump Sum Payment. When a member makes a lump sum payment, the member will be granted all of the creditable service in the selected category.
 - B. Partial Payments. Calculation and granting of creditable service based upon partial payments will be as follows:
 - (1) When a member makes a partial payment, the payment will first be applied toward any applicable Survivor Benefit and Retirement Allowance Adjustment contributions due. In order to determine the amount of creditable service to be granted to the member as a result of the payment, the

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percentage of the balance of the employee contributions due that the payment represents will be determined and the same percentage will be applied to the total creditable service available for purchase.

- (2) Upon request by the member, the System will provide the member with a statement that includes the remaining balance due, the total creditable service the member is eligible to purchase and the amount of creditable service that the member has purchased.
2. When a member requests the cost to purchase creditable service in Category 6, "Other service," a calculation will be made to estimate the actuarial cost of purchasing all creditable service in that category. At the time the balance due is determined, the total creditable service the member is eligible to purchase will also be determined and recorded. Upon making a payment under Section 3, the member will be granted creditable service as follows:
 - A. Lump Sum Payment. If, prior to the final calculation of a retirement benefit, a member makes a single lump sum payment in an amount equal to the total estimated amount owed, as determined in subsection 2, the member will be notified that the cost will be recalculated as of the member's retirement date, and the member will be notified in writing if there is an additional amount due at retirement. The member will have a choice of paying the additional amount or receiving pro rata credit.
 - B. Partial Payments. Calculation and granting of creditable service based upon partial payments will be as follows:
 - (1) When a member makes a partial payment, the new balance due will be determined, but no creditable service will be granted at that time.
 - (2) The cost will be recalculated as of the member's retirement date, and the member will be notified in writing if there is an additional amount due. The member will have a choice of paying the additional amount or receiving pro rata credit.
 - C. Creditable service purchased under Section 2 will be granted upon the member's retirement.

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- D. Upon request by the member, the System will provide the member with a statement that includes the estimated remaining balance due.

AUTHORITY: 3 MRSA § 805-A, 4 MRSA § 1305-A, 5 MRSA §§ 17103(4), 17657, 17658, 17701, 17703, 17704-C, 17705-A, 17707, 17752, 17753, 17754, 17756, 17757, 17759, 17760, 17761, 17763, 17763-A, 17764, 17765, 17766, 18301, 18305-B, 18306-A, 18308, 18353, 18354, 18357, 18358, 18360 and 18362.

EFFECTIVE DATE: March 12, 1983

AMENDED: September 2, 1990

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AMENDED: April 1, 2001

REPEALED AND REPLACED: