An Act to Amend the Retirement Laws Pertaining to Participating Local Districts

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

Sec. 1. 5 MRSA §18301, sub-§5 is enacted to read:

5. Member contributions to Participating Local District Consolidated Retirement Plan. The Board may establish by rule the rate at which members who participate in the consolidated plan described in chapter 427 contribute to that plan.

Sec. 2. 5 MRSA §18309, sub-§1, as amended by PL 2007, c. 491, §221, is further amended to read:

1. Contribution rate. Except as provided in subsections 2 and 3, each firefighter, including the chief of a fire department, employed by a participating local district that provides a special retirement benefit under section 18453, subsection 4 or 5, shall contribute to the Participating Local District Retirement Program or have pick-up contributions made by the employer at a rate of 8% of earnable compensation as long as employed as a firefighter.

Sec. 3. 5 MRSA §18309, sub-§3 is enacted to read:

3. Member Contributions to Participating Local District Retirement Plan. The Board may establish by rule the rate at which firefighters who participate in the consolidated plan described in chapter 427 contribute to that plan.

Sec. 4. 5 MRSA §18310, sub-§1, as amended by PL 2007, c. 491, §222, is further amended to read:

1. Contribution rate. Except as provided in subsections 2 and 3, each police officer, including the chief of a police department, employed by a participating local district that provides a special retirement benefit under section 18453, subsection 7 or 8, shall contribute to the Participating Local District Retirement Program or have pick-up contributions made by the employer at a rate of 8% of earnable compensation as long as employed as a police officer.

Sec. 5. 5 MRSA §18310, sub-§3 is enacted to read:

3. Member Contributions to Participating Local District Retirement Plan. The Board may establish by rule the rate at which police officers who participate in the consolidated plan described in chapter 427 contribute to that plan.

Sec. 6. 5 MRSA §18407, sub-§4, as amended by PL 2009, c. 473, §§5, 6 is further amended to read:

4. Determination of adjustment for participating local districts not covered by Chapter 427 of this Part. The cost-of-living adjustment shall be determined as follows.

A. Except as provided in paragraph A-1, whenever there is a percentage increase in the Consumer Price Index from July 1st to June 30th, the board shall automatically make an equal percentage increase in retirement benefits, beginning in September, up to a maximum annual increase of 4%.

A-1. If there is a percentage decrease in the Consumer Price Index from July 1st to June 30th, the board shall set the percentage change at 0% for that September. The adjustment for the following year must be set based on the actuarially compounded Consumer Price Index for both years in a cost-neutral manner. If the Consumer Price Index in the subsequent year or years is not sufficient to allow for the adjustment to be cost-neutral for the 2 years, then the adjustment needed for cost-neutrality must continue to be
applied to following years until such time as the cost-neutrality requirement is met.

B. Whenever the annual percentage change in the Consumer Price Index from July 1st to June 30th exceeds 4%, the board shall make whatever adjustments in the retirement benefits are necessary to reflect an annual increase or decrease of 4% and shall report that adjustment and the actual increase or decrease in the Consumer Price Index to the Legislature by February 1st of the following year.

C. Notwithstanding any other provision of this section, the amount of annual retirement benefit otherwise payable under this Part may not be less than the retired member received on the effective date of his retirement or on July 1, 1977, whichever amount is greater.

Sec. 7. 5 MRSA §18407, sub-§6 as amended by PL 1993, c. 595, §10 is further amended to read:

6. Eligibility. Cost-of-living adjustments under this subsection 4 must be applied to the retirement benefits of all retirees who have been retired for at least 6 months before the date that the adjustment becomes payable. Beneficiaries of deceased retirees and members are eligible for the cost-of-living adjustment at the same time the deceased retiree would have become eligible.

Sec. 8. 5 MRSA §18407, sub-§7 is enacted to read:

7. Determination of adjustment for participating local districts covered by Chapter 427 of this part.

A. Prior to July 1, 2014, the determination of cost-of-living adjustments for retirees from participating local districts covered by Chapter 427 of this part is governed by subsection 4.

B. Except as provided in paragraph C, whenever there is a percentage increase in the Consumer Price Index from July 1st to June 30th, the board shall automatically make an equal percentage increase in retirement benefits, beginning in September, up to a maximum annual increase of 3%.

C. If there is a percentage decrease in the Consumer Price Index from July 1st to June 30th, the board shall set the percentage change at 0% for that September. The adjustment for the following year must be set based on the actuarially compounded Consumer Price Index for both years in a cost-neutral manner. If the Consumer Price Index in the subsequent year or years is not sufficient to allow for the adjustment to be cost-neutral for the 2 years, then the adjustment needed for the cost-neutrality must continue to be applied to following years until such time as the cost-neutrality requirement is met.

D. Whenever the annual percentage change in the Consumer Price Index from July 1st to June 30th exceeds 3%, the board shall make whatever adjustments in the retirement benefits are necessary to reflect an annual increase of 3% and shall report that adjustment and the actual increase in the Consumer Price Index to the Legislature by February 1st of the following year.

E. Notwithstanding any other provision of this section, the amount of annual retirement benefit otherwise payable under this Part may not be less than the retired member received on the effective date of retirement or on July 1, 1977, whichever amount is greater.

Sec. 9. 5 MRSA §18407, sub-§8 is enacted to read:

8. Cost. The Board shall determine the costs of the adjustments under this section and shall include those costs in the annual valuation.

Sec. 10. 5 MRSA §18407, sub-§9 is enacted to read:

9. Eligibility. Cost-of-living adjustments under subsection 7 must be applied to the retirement benefits of retirees as follows:
A. For retirees who retire prior to September 1, 2015, a cost-of-living adjustment is applied if the retiree has been retired for at least 6 months before the date that the adjustment becomes payable.

B. For retirees who retire on or after September 1, 2015, a cost-of-living adjustment is applied if the retiree has been retired for at least 12 months before the date that the adjustment becomes payable.

C. Beneficiaries of deceased retirees and members are eligible for the cost-of-living adjustment at the same time the deceased retiree would have become eligible.

Sec. 11. 5 MRSA §18451, as amended by PL 1987, c. 402, Pt. A, §74 is further amended to read:

5 §18451. QUALIFICATION FOR BENEFITS FOR MEMBERS NOT COVERED UNDER CHAPTER 427 OF THIS PART

A member’s qualification for service retirement benefits for a member not covered under Chapter 427 of this part is governed by subsection 1, 2 or 3, unless the requirements of section 18453 are satisfied, in which case, one or more of the subsections of section 18453 governs.

Sec. 12. 5 MRSA §18451-A is enacted to read:

18451-A. QUALIFICATION FOR BENEFITS FOR MEMBERS COVERED UNDER CHAPTER 427 OF THIS PART

Qualification for service retirement benefits for a member covered under Chapter 427 of this part is governed by subsection 1 or 2, unless the requirements of a special plan, as established by the board through rule, have been met.

1. Members prior to July 1, 2014. Qualification for a service retirement benefit for a member covered under Chapter 427 of this part who was a member of a plan provided under Chapter 427 prior to July 1, 2014 is governed by section 18451.

2. Members after June 30, 2014. Qualification for a service retirement benefit for a member who was not covered under Chapter 427 of this part prior to July 1, 2014 is governed as follows:

A. Member in service. A member who is in service when reaching age 65 years of age, or is in service after reaching 65 years of age, qualifies for a service retirement benefit if the member:

(1) Retires upon or after reaching 65 years of age and has been in service for a minimum of one year immediately before retirement;

(2) Has at least 5 years of creditable service, which, for the purposes of determining completion of the 5-year requirement, may include creditable service as a member of the Legislative Retirement Program.

B. Member not in service. A member who is not in service when reaching 65 years of age qualifies for a service retirement benefit if the member retires upon or after reaching 65 years of age and has a least 5 years of creditable service, which, for the purposes of determining completion of the 5-year requirement, may include creditable service as a member of the Legislative Retirement Program.

C. Member with creditable service of 25 years or more. A member, whether or not in service at retirement, who has completed 25 or more years of creditable service qualifies for a service retirement benefit if the member retires at any time after completing 25 years of service, which may include, for the purpose of meeting eligibility requirements, creditable service as a member of the Legislative Retirement Program.

Sec. 13. 5 MRSA §18452, sub-§3, as amended by PL 1985, c. 801, §§5, 7 is further amended to read:
3. Member with creditable service of 25 years or more. The amount of the service retirement benefit for members qualified under section 18451, subsection 3, shall be computed in accordance with subsection 1, except that:

A. The amount arrived at under subsection 1 shall be reduced by applying to that amount the percentage that a life annuity due at age 60 bears to the life annuity due at the age of retirement. —

B. For the purpose of making the computation under paragraph A, the board-approved tables of annuities in effect at the date of the member’s retirement shall be used.

A. The amount of the service retirement benefit for members qualified under section 18451, subsection 3, shall be computed in accordance with subsection 1, except that:

1. The amount arrived at under subsection 1 shall be reduced by applying to that amount the percentage that a life annuity due at age 60 bears to the life annuity due at the age of retirement.

2. For the purpose of making the computation under subparagraph 1, the board-approved tables of annuities in effect at the date of the member’s retirement shall be used.

B. The amount of the service retirement benefit for members qualified under section 18451-A, subsection 2, paragraph C is computed in accordance with subsection 1, except that the benefit is reduced by 6% for each year that the member’s age precedes 65 years of age.

Sec. 14. 5 MRSA §18453, as enacted by PL 1985, c. 801, §§5, 7 is further amended to read:

A participating local district may, by filing with the board a duly certified copy of its action, provide, in lieu of any other retirement benefit in this Part, special retirement benefit plans in this section. If a member retires after becoming qualified to retire under section 18451 or 18451-A, his retirement benefit will be computed in accordance with section 18452, if that amount is greater than the amount computed under this section.

Sec. 15. 5 MRSA §18462, sub-§3, as amended by PL 2001, c. 699, §6 is further amended to read:

3. Reduction of benefits. Upon retirement before reaching normal retirement age 60, the service retirement benefit of a member who transferred or who was restored to service subject to subsection 2 shall be reduced as follows.

A. If the member transferred under the provisions of subsection 2, paragraph A, the portion of the retirement benefit based upon creditable service earned after being transferred shall be reduced in accordance with section 18452, subsection 3.

C. If the member was transferred subject to subsection 2, paragraph C, the retirement benefit shall be reduced in accordance with section 18452, subsection 3.

D. If the member was transferred subject to subsection 2, paragraph D, and:

1. If the member completes the service or service and age requirements for retirement under the special plan the member was under previously, the retirement benefit shall not be reduced; or

2. If the member does not complete the service or service and age requirements for retirement under the special plan the member was under previously, the retirement benefit shall be reduced in accordance with section 18452, subsection 3.

Sec. 16. 5 MRSA §18506, sub-§1, as amended by PL 2001, c. 443, §3 is further amended to read:

1. Excess compensation. If the compensation received from engaging in any gainful occupation by a beneficiary of a disability retirement benefit exceeds $20,000 in calendar year 2000 or in any subsequent calendar year exceeds that amount cumulatively increased or decreased by the same percentage adjustments
Sec. 17. 5 MRSA §18506, sub-§3, as amended by PL 2007, c. 491, §245 is further amended to read:

3. Restoration to service. If any recipient of a disability retirement benefit is restored to service, and if the total of the recipient's monthly retirement benefit for any year and the recipient's total earnable compensation for that year exceed the recipient's average final compensation at retirement, increased or decreased by the same percentage adjustments as have been received under section 18407, the excess must be deducted from the disability retirement benefit payments during the next calendar year.

A. The deductions must be prorated on a monthly basis over the year or part of the year for which benefits are received in an equitable manner prescribed by the board.

B. The recipient of the disability retirement benefit shall reimburse the retirement system for any excess payments not deducted under this section. C. If the retirement benefit payments are eliminated by operation of this subsection:

(1) The person again becomes a member of the Participating Local District Retirement Program and begins contributing at the current rate; and

(2) When the person again retires, the person must receive benefits computed on the person's entire creditable service and in accordance with the law in effect at that time.

Sec. 18. 5 MRSA §18530, sub-§2, as amended by PL 2001, c. 443, §7 is further amended to read:

2. Compensation from employment not covered by this article. If any person who is the recipient of a disability retirement benefit receives compensation in any year from engaging in any gainful activity or from employment with an employer whose employees are not covered by this article or chapter 423, subchapter V, article 3-A, which exceeds $20,000, increased or decreased by the same percentage adjustments as are granted under section 18407, subsection 4, or the difference between the person's disability retirement benefit for that year and the person's average final compensation at the time that the person became a recipient of a disability retirement benefit, increased or decreased by the same percentage adjustments as have been granted by section 18407, whichever is greater:

A. The excess must be deducted from the disability or service retirement benefits during the next calendar year; the deductions to be prorated on a monthly basis in an equitable manner prescribed by the board over the year or part of the year for which the benefits are received;

B. The person shall reimburse the retirement system for any excess payments not deducted under paragraph A. If the retirement benefit payments are eliminated by this subsection, the disability is deemed to no longer exist, the payment of the disability retirement benefit must be discontinued and, except as provided in paragraph C, all of the person's rights to benefits under this article cease;

C. If, during the first 5 years of reemployment, the person again becomes disabled, terminates employment and is not covered by any other disability program, the retirement system shall resume paying the disability retirement benefit payable prior to the reemployment with all applicable cost-of-living adjustments and shall provide rehabilitation services under section 18527 if recommended by the medical board. If the benefit payable under the other disability program is not equal to or greater than the benefit under this article, the retirement system shall pay the difference between the amount of the benefit payable under the other disability program and the amount of the benefit payable under this
article. The executive director shall require examinations or tests to determine whether the person is
disabled as described in section 18521; and
D. At any time before the elimination of disability retirement benefit payments by this subsection, the
person may request that benefit payments be terminated and the executive director shall terminate benefit
payments at the end of the month in which the request is received.

**SUMMARY**

This bill amends specific defined benefit plan provisions that apply to members of the
Consolidated Plan for Participating Local Districts (PLD) administered by the Maine
Public Employees Retirement System. Specifically, the bill: 1) allows the MainePERS
Board of Trustees to establish by rule the rate at which plan members contribute; 2)
reduces the cost-of-living adjustment cap from 4% to 3%; 3) increases from 6 to 12
months the length of time that a retiree must be retired in order to be receive a cost-of-
living increase; 4) raises the normal retirement age from 60 to 65 for new hires; and 5)
increases the early retirement reduction from 2 ¼% to 6% for new hires.

The proposed amendments are the recommendations of the PLD Advisory Committee,
a committee established by statute and that represents both the labor and management
interests of participating local districts.