



126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document

No. 1514

S.P. 572

In Senate, May 7, 2013

An Act To Reform the Maine Public Employees Retirement System

(EMERGENCY)

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

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator WOODBURY of Cumberland.

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

2 **CONCEPT DRAFT**

3 **SUMMARY**

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

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

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

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

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

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

21 D. The increased COLA formula for individuals already receiving a retirement
22 pension from the State would be applied prospectively only, beginning on July 1,
23 2013.

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

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

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

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

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

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