# 94-411 MAINE STATE RETIREMENT SYSTEM

Chapter 302: RETIREMENT INCENTIVES

SUMMARY: This Chapter defines "retirement incentives" and "early retirement incentives" and governs the System's identification of both. It imposes obligations on employers and retiring members to declare and report both retirement incentives and early retirement incentives to the System. This Chapter also governs the determination and payment of additional actuarial and administrative costs incurred by the Retirement System because of early retirement incentives offered by employers to members. Payment of additional costs associated with early retirement incentives is governed by the provisions of 5 MRSA §17154(10), which were enacted by PL 1993, c. 410, Part L, § 2.

§1. Definitions

A. Additional Actuarial Costs. For purpose of Section 4 only, "additional actuarial costs" means the sum of dollars that represents the difference, expressed in present value terms, between the fully actuarially reduced benefit and the benefit actually payable on the member's early retirement date.

B. Early Retirement. "Early retirement" means retirement before normal retirement age with a reduced retirement benefit as governed by § 17852, sub- §§ 3 or 3-A, 4(C) or 4(C-1) or 10(C) or 10(C-1); §17857, sub-§3-A, §18452, sub-§3; or §18462, sub-§3, in their form as of the effective date of this Chapter or as subsequently amended.

C. Early Retirement Incentive. "Early retirement incentive" means a retirement incentive offered and/or provided to a member who takes early retirement.

D. Employer. For purpose of Section 4 only, "employer" means for State employees, the department or agency of state government by which the member was last employed prior to retirement; for teacher members, the local school administrative unit by which the member was last employed prior to retirement; and for participating local district employees, the district by which the member was last employed prior to retirement if that district was then in the Consolidated Plan or, if that district was not then in the Consolidated Plan but later joins the Consolidated Plan if a retirement Incentive is structured so that it imposes a cost on other districts under the Consolidated Plan.

E. Retirement Incentive, "Retirement incentive" means any significant payment or award, monetary or non-monetary, that is offered or provided by an employer to a member who Is eligible to retire or becomes eligible to retire as a result of the payment or award. This payment or award must be intended to induce or in fact induce the member's retirement, regardless of whether it is received prior or subsequently to the member's retirement. A bonus, stipend, longevity award, consideration for or in response to planned retirement, compensation in lieu of fringe benefits, compensation for sick or vacation leave, and/or other payment or award is a retirement incentive under this rule when it meets all of the criteria articulated in the first two sentences of this subsection.

All other terms used in this Chapter, unless the context otherwise indicates, shall have the same definitions as in 5 MRSA § 1 7001.

§2. Applicability

The reporting requirements on employers and retiring members established in Section 3 of this rule apply to any retirement incentive offered and/or provided after July 1, 1993. With respect to the obligation for employers to pay certain additional actuarial and administrative expenses relating to early retirement incentives, this rule is applicable to all early retirement incentives offered and/or provided after July 1, 1993, except for those offered and provided under and during only the initial term of a collective bargaining agreement that was executed prior to July 1, 1993 or ratified in its final form by final vote of one party to the agreement prior to July 1, 1993.

§3. Reporting Requirements for Retirement Incentives

A. Employer Requirements.

(1) All employers shall file with the Maine State Retirement System all documents and/or other information relating to the offering of and/or provision to any Maine State Retirement System member or group of members a retirement incentive as defined in Section 1 of this rule. The offering and/or provision of a retirement incentive by verbal or informal means in no way changes the obligation to file information about the offering and/or provision. The documents or information must be filed with the System within 10 days of the offering and/or provision of such an incentive. Upon request of the System, all details of the offered incentive shall be provided to the Maine State Retirement System.

(2) Whenever a member retires, the member’s employer must certify in writing to the Maine State Retirement System that the employer has not offered any retirement incentive as defined in Section 1 of this rule to the employee that the employer has not previously disclosed in writing to the System.

B. Member Requirements.

(1) Whenever a retiring member of the Maine State Retirement System is offered and/or provided any retirement incentive as defined in Section I above, he or she must describe the retirement incentive to the Retirement System in writing and provide any further details as requested by the System.

(2) Each retiring member must certify in writing to the Maine State Retirement System that he or she has not been offered any retirement incentive as defined in Section 1 that the member has not previously disclosed in writing to the Maine State Retirement System.

C. Failure to Report. Failure of employers and/or members to report or certify information to the System in accordance with the requirements of subsections 3(A) and (B) may result in penalties as recommended on a case by case basis by the Executive Director and approved by the Board of Trustees.

§4. Employer Payment to Maine State Retirement System for Costs Relating to Early Retirement Incentives

A. Additional actuarial costs. The additional actuarial costs that result from the early retirement of a member who has been offered and/or provided a retirement Incentive shall be paid to the Maine State Retirement System by the employer.

(1) Calculation of additional actuarial costs. The Maine State Retirement System shall determine the additional actuarial costs for which the employer is liable in individual situations as follows:

Step 1. The annual retirement benefit payable to the member upon his or her early retirement date shall be calculated in accordance with the governing provisions of the Maine State Retirement System statutes and rules.

Step 2. The annual retirement benefit that would be payable to the member on a fully actuarially reduced basis shall be calculated in accordance with the actuarial equivalent early retirement reduction factors prescribed by the System's consulting actuary and approved by the Board of Trustees.

Step 3. The retirement benefit calculated in Step 2 shall be subtracted from the retirement benefit calculated in Step 1.

Step 4. A present value factor shall be applied to the amount determined in Step 3 to convert the annual benefit amount to a lump sum present value dollar amount. This amount represents the additional actuarial cost resulting from the early retirement of a member who has been offered a retirement incentive.

(2) Payment of additional actuarial costs. The Maine State Retirement System shall bill the employer of retiring members who will receive or have received early retirement incentives for the additional actuarial costs as determined by the System in subsection 1 above. The bill must be accompanied by a statement of the basis of the costs identified in the bill and the supporting calculations. The employer must pay this amount to the Maine State Retirement System within 30 days of receipt of the bill.

(3) Finality. All determinations of additional actuarial costs are subject to recalculation upon the actual retirement of the member and upon any subsequent recalculation of the member's early retirement benefit due to misreporting of member-specific information, error or any direction by the Board to recalculate a member's benefit. Any resulting change in additional actuarial costs would be paid or refunded, as appropriate, to the employer. Any administrative costs for recalculation of additional actuarial costs that is caused by actions of the employer shall be paid by the employer.

B. Reasonable administrative costs.

(1) Processing fee. Subject to review and approval by the Board, the Executive Director will establish and may revise from time to time an administrative processing fee to determine the member-specific additional actuarial costs relating to an early retirement incentive for which the employer is liable. The fee will be based on the time required for making such determinations, will be reasonable, and will not be set at a level which requires the System's members and employers as a whole to subsidize the cost of a determination. The fee must be paid; before the System determines the member-specific additional actuarial costs.

(2) Calculation of administrative costs. The employer must pay any additional actual administrative costs for member-specific information at an hourly administrative cost rate for the System plus the System's actual costs related to actuarial and legal service. Subject to review and approval by the Board, the Executive Director will establish and may form time to time revise the administrative cost rate.

(3) Payment of Administrative costs. The employer will be billed for any actual administrative costs beyond the processing fee. If the member is already receiving a retirement benefit or preliminary benefit when the employer is billed for administrative costs, the employer will also be charged interest as a cost and must pay interest retroactive to the member’s effective date of retirement. The employer must pay the administrative costs to the Maine State Retirement System within 30 days of receipt of the bill. the bill will be accompanied by a statement of the basis of the administrative costs.

C. Appeal. If the employer or the member disputes the determination that additional actuarial costs must be paid by the employer, the amount of the additional actuarial costs, or the amount of actual administrative costs, an appeal may be brought pursuant to 5 MRSA § 17451 and Chapter 702 of the Board’s rules.

D. Non-payment of costs. Interest at the regular rate will be charged by the System and must be paid by the employer on all overdue amounts pertaining to the processing fee, additional actuarial costs and administrative costs. In addition, an employer who fails to pay is liable for penalties on a case by case basis as recommended by the Executive Director and approved by the Board of Trustees and shall pay all the System’s costs associated with collection of the amounts overdue and/or enforcement of this rule.

§ 5. Projection of Employer’s Liability

A. Request for Projection. An employer may request that the System project the employer’s liability for additional actuarial costs associated with the potential offering of one or more early retirement incentives to a potential member or group of members. The employer must provide in writing to the System all known facts about the potential early retirement incentive(s) including identification by name and social security number of all possible persons could take advantage of such an incentive. The System will first provide to the employer an estimate of the System’s costs for preparing the projection of liability. After receiving the estimate, the employer shall indicate in writing that the employer desires the projection of liability to be done.

B. Processing Fee. Subject to review and approval by the Board, the Executive Director will establish and may revise from time to time an administrative processing fee that will be paid at the time a request for a projection of the employer's liability is made. The fee will be based on the time required for preparing an estimate of the costs for projecting the employer's liability, will be reasonable, and will not be set at a level which requires the System's members and employers as whole to subsidize the cost of preparing the estimate. The fee must be paid at the time a request for a projection is made and before the System prepares an estimate of the System's costs for preparing the projection of liability.

C. Estimate of System's Administrative Costs. The System will base the estimate of its administrative costs for preparing a projection of liability on an hourly administrative cost rate for the System, as established by the Executive Director subject to review and approval by the Board, and will include an estimate of the System's actual costs for actuarial and legal services. Costs associated with development of information on an expedited basis or advanced schedule will also be included in the estimate of the System's costs, if the employer has requested that the work be done on an expedited basis. The employer must pay in advance the estimated administrative costs for preparing the projection of liability.

D. Preparation of Projection. Once the processing fee has been paid and the employer has paid in advance to the System the System’s estimated administrative costs, the System shall prepare the projection of the employer's liability. This projection of liability may be made on the information available at the System at the time of the request or on updated information, at the discretion of the System. The estimate may be based on reasonably imputed earnable compensation on a member-specific basis as determined by the System. The projection represents an estimate of employer liability; different actuarial costs on a member-specific basis may be computed in accordance with Section 4 at the actual retirement of individual members.

E. Payment of Final Costs. Upon completion of the work by the System, the System will present a final bill reflecting the System's actual costs for the projection of liability and the employer must pay this bill within thirty (30) days of receipt of the bill. Interest will be charged by the System on overdue amounts. In addition, an employer who fails to pay is liable for penalties as recommended on a case by case basis by the Executive Director and approved by the Board of Trustees and shall pay all of the System's costs associated with collection of amounts overdue and/or enforcement of this rule. If the actual costs are less than the estimated costs already paid, the difference will be refunded to the employer by the System.

EFFECTIVE DATE:

March 19 1995

EFFECTIVE DATE (ELECTRONIC CONVERSION):

May 5, 1996

NON-SUBSTANTIVE CORRECTIONS:

October 2, 1996 - minor spelling and formatting

March 14, 2000 - minor spelling and formatting

APAO WORD VERSION CONVERSION (IF NEEDED) AND ACCESSIBILITY CHECK: July 17, 2025