

DATE: January 19, 2022

TO: Senator Craig Hickman, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1808 – An Act to Address Employee Retention at the Maine State Police Crime Laboratory and the Computer Crimes Unit in the Department of Public Safety

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1808. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a “regular plan” or a “special plan.” The majority of state employees are covered by the regular plan, which requires twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Because of the more favorable provisions of the special plans, they are more expensive to fund.

Public Law 2021, chapter 474 added the Crime Laboratory and Computer Crimes Unit employees to the 1998 Special Plan effective October 1, 2021. Under this plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10-year requirement.

Benefits are calculated based upon the plan under which the service was earned. The result for those members with some service in a regular plan and some service in a special plan is a “split age reduction” such that the regular plan service is reduced for early retirement prior to 60, 62 or 65, and the special plan service is reduced for early retirement only if retirement is

prior to age 55. Members with all or a high percentage of their service under the 1998 Special Plan are more greatly advantaged by that plan.

Because the Crime Laboratory and Computer Crimes Unit employees were added to the special plan on a prospective basis, benefits are subject to the split age reduction previously described. L.D. 1808 would make that change retroactive, and all service in a covered position, whenever earned, would be considered as being earned in the 1998 Special Plan, and therefore no longer subject to the split age reduction. The result for many impacted members would be the ability to retire at a younger age with an increased retirement benefit.

This bill would have a fiscal impact in that it would require immediate funding of the increased liabilities created by permitting past service of the covered employees to be included in the special plan, in compliance with the State Constitution. This bill would also increase the ongoing employer normal costs for the members who will be covered in a more favorable special plan. MainePERS will work with the Department and the Office of Fiscal and Program Review to provide an estimate of the costs associated with amending the retirement plan coverage for this group of employees.

We would note that L.D. 1808 is not drafted in the manner that similar plan changes have been enacted into law. Specifically, L.D. 1808 is drafted as unallocated language, whereas typically, because of the complexity of the statutes that govern the 1998 Special Plan, changes such as those considered in this bill are drafted into the plan as found in 5 M.R.S. § 17851-A. Additionally, as enacted, chapter 474 permitted eligible employees to elect whether to move into the special plan. L.D. 1808 essentially eliminates the need for that election, and the relevant language should be stricken from current law. We are happy to work with the Committee's Analyst on language to address these issues.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.

