

DATE: April 19, 2023

TO: Senator Michael Tipping, Chair  
Representative Amy Roeder, Chair  
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 1424 – An Act to Remove the Age Requirement for  
Correctional Staff Retirement under the 1998 Special Plan

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

MainePERS is neither for nor against L.D. 1424. 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 permits retirement after 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. Included with this testimony is a chart that details the different plans and the groups covered by each.

L.D. 1424 proposes to change the retirement plan by which certain Department of Corrections employees are covered. Employees in the positions described in the bill are currently covered by the 1998 Special Plan. It is our understanding that the intent of L.D. 1424 is to move all covered employees into a special plan that provides for retirement after completing 25 years of service, regardless of age. This would be a plan separate from the 1998 Special Plan.

This bill would have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits would be created if covered employees are able to retire earlier and with a higher benefit, which would result in benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL). A more favorable plan would also have higher ongoing employer normal costs.

We have not yet estimated the costs associated with L.D. 1424. With guidance from the Committee, we will work with the Department and the Office of Fiscal and Program Review to identify the individuals covered by this proposal and to determine the costs associated with changing the retirement plan coverage for this group of employees.

On a technical note, if we are correct in our understanding of the intent of the bill, we do not think the bill as drafted accomplishes that intent. Specifically, the bill is drafted to amend qualifications for benefits under the 1998 Special Plan for only these employees. It does not address other aspects, such as the calculation of benefits. Many other groups are covered by the 1998 Special Plan and changing eligibility requirements for one group within that plan may create confusion. An alternative approach is to remove this group from that plan and place them in the existing 25 year, no age requirement plan. That approach would be consistent with that taken when other groups have been removed from the 1998 Special Plan and placed in a more favorable plan. We are happy to work with the sponsor and the Committee's Analyst on language to accomplish that intent.

We would also note that L.D. 483, for which a public hearing was held on March 2, proposes to change plan coverage for a subset of employees covered by L.D. 1424. Under that bill, the covered individuals would remain in the 1998 Special Plan and be provided with retroactive coverage in that plan.

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