

DATE: March 2, 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. 610 – An Act to Expand the 1998 Special Retirement Plan to Include Employees Who Work for the Office of the Chief Medical Examiner

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Good afternoon, 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. 610. 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.

Employees in the Office of Chief Medical Examiner are covered by the regular plan. L.D. 610 would move these employees into the 1998 Special Plan effective July 1, 2022, and would apply retroactively to include all covered service in the special plan. 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.

This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under L.D. 610 because covered employees would be able to retire earlier and with a higher benefit, and therefore would receive benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

During the 130<sup>th</sup> Legislature, the Committee considered L.D. 1746, which was amended to include the same proposal as L.D. 610. At that time, MainePERS estimated the cost for the plan change to be approximately \$458,000 in increased UAL. There would also be an increase to the ongoing employer and member normal costs for the employees covered by this bill. MainePERS will work with the Department and the Office of Fiscal and Program Review to confirm the individuals covered by this proposal and to update the costs associated with amending the retirement plan coverage for this group of employees.

MainePERS has one concern about the way L.D. 610 is drafted. Specifically, the bill as proposed includes a July 1, 2022 special plan coverage date for these employees. This bill does not currently have an emergency preamble, which means that it is unlikely to be effective by that date. We would recommend that a date beyond what is projected to be the general effective date for this session's enacted laws be used as the effective date for entry into the plan, so that correct member and employer contributions can be timely made.

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