MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

MEMORANDUM

Date: November 7, 2023

To: PLD Advisory Committee Members

From: Deanna Doyle, PLD Plan Administrator

Re: Points of Consideration for the Additional One-Time COLA and Fiscal Year 2025 Rate-Setting Conversations

Additional 0.5% One-Time or Cumulative COLA Payment for 2023

PLD REGULAR PLAN
# of Retirees based on 6/30/2023 Valuation = 6,229
Average Annual Benefit based on 6/30/2023 Valuation = $16,702.
Average One-Time Additional 0.5% COLA = $83.51
Average Cumulative Monthly COLA Increase = $6.96/month

PLD SPECIAL PLAN
Retirees based on 6/30/2023 Valuation = 1,676
Average Annual Benefit based on 6/30/2023 Valuation = $38,504
Average One-Time Additional 0.5% COLA = $192.52.
Average Cumulative Monthly COLA Increase = $16.04

FY 2025 Rate Setting with NO Restriction

Only 3 Sub-Plans would realize a change in the Employer and/or Employee Contribution Rates of more than 0.5% - Special Plans 1C, 2N and 4C

SPECIAL PLAN 1C
21 Employers and 335 Employees are participating in 1C based on the 6/30/2023 Valuation
Both Employer and Employee Contribution Rates for 1C would decrease by more than 0.5%. Since this would be favorable for both the Employers and Employees participating in this sub-plan, these changes would be a non-issue.

SPECIAL PLAN 2N
Currently only 1 Employer and 4 Employees are participating in 2N based on the 6/30/2023 Valuation and a Plan Change to 2C for a PLD that was effective July 1, 2023

The 1 Employer is a Town.

The Employer Contribution Rate would increase by 2.6% for 2N from 8.4% to 11.0%.
The Employee Contribution Rate would increase by 0.5% for 2N from 7.5 to 8.0%

Based on current payroll for the Town's 4 participating employees – the cost of the 2.6% rate increase for the Town if we do the full rate adjustment (no restriction) would be $6,016 vs. the cost of a 1% increase of $2,314 if we go with a 1.0% restriction. An argument can be made that the $3,702 difference here should be manageable, even for a small employer.

If the Town were to adopt 2C for FY25, it would cost the Town $7,867 at the Employer Rate with no restriction; costing the Town just $1,851 more than it would be paying for 2N. This may prompt the Town to take action to provide a better plan for its employees. (This is using the FY25 2C Employer Contribution rate as compared to the FY25 Employer Contribution rate for 2N with no restriction).

SPECIAL PLAN 4C

Currently 6 Employers and 134 Employees are participating in 4C based on the 6/30/2023 Valuation and a Plan Change to 3C for a PLD that was effective July 1, 2023

The Employers and associated Employees participating in 4C are as follows:

Town 1 –	6 Employees – Adopted 4C on July 1, 1996
Town 2 –	13 Employees – Adopted 4C on July 1, 1995 (Active Inquiry to Adopt 3C for these Employees)
County 1 -	37 Employees – Adopted 4C on January 1, 2021
County 2-	18 Employees - Adopted 4C on January 1, 2021
County 3 -	29 Employees - Adopted 4C on January 1, 2022
County 4 -	31 Employees – Adopted 4C on July 1, 2022

The Employer Contribution Rate would increase by 1.7% for 4C from 11.3% to 13.0%.
The Employee Contribution Rate would increase by 0.5% for 4C from 8.9% to 9.4%

These Employers could adopt 2C for FY25 and only realize a 0.2% increase in the Employer Contribution Rate and only a 0.1% increase in the Employee Contribution rate from what they are currently paying, allowing them to provide a better plan for less money.

How can the FY25 rates for 4C be higher than the rates for 2C, which is a better plan? Rates for the sub-plans are impacted both by the makeup of the group and by the number of Employers and Employees who participate in them. The demographics of the participants and the relative sizes of the plans result in lower rates for 2C as compared to 4C.

We could reach out proactively to these 6 Employers regarding this in order to give them time to make a plan change to 2C (or even 3C) and avoid paying a higher rate for a lesser plan beginning FY25. However, we should consider what impact having these employers move to 2C and/or 3C will have on the rates for those sub-plans for FY26 and beyond before taking this approach.