

DATE: April 9, 2021

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. 1101 – An Act to Expand the 1998 Special Retirement Plan To Include Civilian Employees Who Work for the Department of Public Safety Crime Lab and Computer Crimes Unit

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. 1101. We are here to provide information and offer any assistance the Committee might need regarding this bill.

Most 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.

Under the 1998 Special 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.

L.D. 1101 would expand the 1998 Special Plan to include certain Department of Public Safety employees employed on October 1, 2021, or hired thereafter. These employees have always

been covered by the regular plan. This change would apply prospectively, effective October 1, 2021, and service earned prior to that date would remain regular plan service and benefits would be subject to the split age reduction described above.

This bill will have a fiscal impact because the ongoing employer normal cost for the members covered in a special plan is higher than the regular plan normal cost. We will work with the Department and the Office of Fiscal and Program Review to estimate the costs associated with providing special plan coverage to this group of employees.

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