

DATE: February 3, 2021

TO: Senator Joseph Rafferty, 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. 111 – An Act to Allow Career Educators to Retire without
Penalty

Good morning, Senator Rafferty, 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. 111. We are here to provide information and offer any assistance the Committee might need regarding this bill.

Under current plan provisions, there are two ways by which a teacher becomes eligible to retire. One way is by completing twenty-five years of service and the other is by reaching the applicable normal retirement age, which is age 60, 62, or 65 depending on service requirements at specific dates set in law. A teacher who reaches twenty-five years of service prior to reaching normal retirement age may retire with a reduction, 6% for most current teachers, for each year below normal retirement age.

L.D. 111 proposes to allow teachers with at least thirty-five years of service to retire with an unreduced benefit, regardless of age. It also requires retired teachers who return to work to pay the member normal cost during the period of re-employment. That rate is currently 7.65% of member earnable compensation. Under current plan provisions, re-employed teachers do not pay member contributions nor do they accrue additional benefits.

L.D. 111 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. 111 because a teacher would be receiving benefits for more years than currently accounted for and funded, creating a new unfunded actuarial liability (UAL). We estimate an approximate \$83 million increase to the UAL if this bill is enacted. Additionally, we estimate an ongoing increased normal cost of approximately \$1.6 million per year.

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