

DATE: March 8, 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. 509 – An Act to Protect Teachers from a Decrease in Retirement Benefits Arising from the COVID-19 Pandemic

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

Under current plan provisions, teachers who perform extracurricular or cocurricular duties are able to include wages from those duties as earnable compensation toward their benefit calculation. Service credit earned by a teacher member is limited to one full year of service credit for each school year. Therefore, for most full-time teachers, performing extra duties does not result in an increased service credit total, but can result in a higher average final compensation used to calculate benefits, if the duties are performed in the member's highest three years of earnings. For teachers who are less than full time, performing extra duties may also result in additional service credit, again with one year of service maximum permitted per school year.

L.D. 509 as drafted would permit certain teachers who have been impacted by the unavailability of extracurricular or cocurricular positions during the pandemic to elect to pay the costs to include any lost service credit toward their benefit calculation. We understand that an amendment to the bill will be proposed that will also allow for the inclusion of lost wages. Taken together, the bill and amendment address the earnable compensation and service credit impacts of the loss of the ability to include performing additional duties towards retirement benefits.

The bill as drafted will not have a fiscal impact on the plan since it requires the member to pay the full actuarial cost of the purchase. We would note that individual circumstances may impact a member's ability to take advantage of this purchase opportunity because of Internal Revenue Services (IRS) contribution limits. This is more likely to be the case for a member

who is already making additional contributions toward the purchase of other service credit. We do not anticipate that many of those impacted by L.D. 509 would reach those limits.

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