

LD 397	An Act to Recalculate Retirement Benefits for Certain State Employees Adversely Affected by Merit Pay Freezes
Description	This bill would permit certain State employees to include wages lost due to merit pay freezes in a recalculation of retirement benefits.
Impact	This would impact certain State employees who retired on or after May 1, 2014 and prior to June 30, 2014.
Costs	The bill would increase pension costs because it would create an actuarial liability of approximately \$600,000 dollars, which would have to be funded up front under the State Constitution.
Reason for Costs	<p>Under current law, State employees who retired on and after July 1, 2011 and before July 1, 2015 were not allowed to include wages lost as a result of a freeze on merit pay during the period July 1, 2011 and June 30, 2013 in the calculation of their retirement benefits. Therefore, average final compensation and actual retirement benefits for those individuals are potentially lower than had those wages been included.</p> <p>Under LD 397, the impacted members would be permitted to elect to pay the missed member contributions and interest on the lost wages for inclusion in a benefit recalculation.</p> <p>Since required funding for these additional benefits has not been paid, the bill would create an actuarial liability that does not currently exist. The Maine Constitution requires that the cost of enhancing benefits must be fully paid at the time that the enhancement is made. As a result, the increased actuarial liability must be fully-funded up front.</p>