

DATE: January 21, 2025

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor

FROM: Kathy J. Morin, Director, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 89 – Resolve, Regarding Legislative Review of Chapter 201:
Employer Reporting and Payments, a Major Substantive Rule of the Maine Public
Employees Retirement System

Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is testifying in support of L.D. 89, which provides for legislative review of provisionally adopted MainePERS Board Rule Chapter 201, Employer Reporting and Payments.

MainePERS administers defined benefit plans for state employees, teachers, judges, legislators and employees of participating local districts. There are over 550 employers with approximately 55,000 active members for whom payroll information is reported and employer and member contributions submitted. MainePERS also administers a group life insurance program which has approximately 32,000 active participants for whom payroll information and premiums are submitted.

The programs are funded through employer and member contributions and premiums as well as investment returns earned on those invested contributions and premiums. Timely and accurate reporting and payments are necessary to provide the funding necessary for the payment of benefits to retirees and beneficiaries. Additionally, when payroll reports are not filed, members who want to refund or retire are impacted and are unable to receive complete information for planning their financial future and may suffer delays as a result of those missing payroll reports. There may also be delays in the payment of group life insurance claims to beneficiaries of deceased members if premiums are not reported and submitted in an accurate and timely manner.

Chapter 201 has not been amended since its adoption in 1985. The provisionally adopted replacement rule does not change the reporting requirements found in the current rule. The

current rule permits the System to charge interest when payroll reports are not filed timely and accurately. This is a flawed tool because MainePERS cannot calculate the amount of interest owed on missed payments until the amount of those missed payments is known. The new rule, as provided by statute, allows the System to charge a late fee for late payroll reports and interest on late payments. The rule provides that any late fees paid would be used to offset any interest obligations arising out of the same payroll period, so there would be no duplication. The availability of these tools will encourage employers to comply with their obligations and help MainePERS serve its members and protect plan funding.

MainePERS considers its partnership with employers to be important to both employers and members. MainePERS recognizes that employers sometimes face challenges that may impact the ability to submit timely and accurate payrolls and is committed to working with those employers to resolve payroll submission issues. In recognition of those challenges, the rule requires MainePERS to consider any extenuating circumstances and the extent to which an employer is making good faith efforts to comply with reporting and payment requirements when determining whether to charge late fees or interest. Working together to resolve issues is in the best interest of employers, members and MainePERS to ensure that funds required and necessary to pay all benefits in an accurate and timely manner can be achieved.

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