

Date: January 21, 2026

To: Senator Joseph Baldacci, Senate Chair
Representative Suzanne Salisbury, House Chair
Members, Joint Standing Committee on State and Local Government

From: Bill Brown, Director of Actuarial and Legislative Affairs

Subject: LD 2009, An Act to Allow a Political Subdivision to Enter into Federal Bankruptcy Proceedings

Good morning, Chair Baldacci, Chair Salisbury and the other distinguished members of the Joint Standing Committee on State and Local Government. I am Bill Brown, Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System (MainePERS).

As written, MainePERS is opposed to LD 2009, An Act to Allow a Political Subdivision to Enter into Federal Bankruptcy Proceedings. However, we understand that the sponsor is considering an amendment that would address our concerns and remove our objections. In any event, we are here to provide information and to offer any assistance the committee may request regarding this bill.

In addition to the State/Teacher, Judicial and Legislative retirement plans, MainePERS administers defined benefit retirement plans for Participating Local Districts (PLDs), including the employees of counties and municipalities like elected officials, law enforcement officers, office staff, librarians and county corrections officers. Most are in the PLD Consolidated Plan; a handful still have their own legacy plans.

In federal bankruptcy proceedings, counties and municipalities can have their liabilities to pension plans discharged by the courts. Were that to happen involving a member of the PLD Consolidated Plan, the liabilities would be shifted to other PLDs and their employees. Such a shift could make the plan unaffordable and jeopardize benefits already earned by employees.

To avoid this outcome, we propose that the bill be amended to include a provision requiring a county or municipality to satisfy its portion of any unfunded actuarial liability (UAL) before being eligible to file for bankruptcy. Should the committee wish to move forward with this bill, we would be happy to continue to work with the sponsor.

Thank you for your consideration of this testimony. I am happy to take your questions and will be present for any work session.