

Date: April 9, 2025

To: Senator Michael Tipping, Senate Chair
Representative Amy Roeder, House Chair
Members, Joint Standing Committee on Labor

From: Bill Brown, Director of Actuarial and Legislative Affairs

Subject: LD 1236, An Act to Address Employee Retention of State Employees Who are Firefighters at Bangor International Airport

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

MainePERS is neither for nor against LD 1236, An Act to Address Employee Retention of State Employees Who are Firefighters at Bangor International Airport. We are here to provide information and to offer any assistance the committee may request regarding this bill.

State employees are covered by either a “regular plan” or a “special plan.” The majority of state employees and all teachers are covered by the regular plan, which permits retirement after twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Due to the more favorable provisions of the special plans, they are more expensive to fund. Included with this testimony is a chart that details the different plans and the groups covered by each.

Currently, military firefighters employed at Bangor International Airport (BIA) are covered by the 1998 Special Plan, which allows them to retire with either 25 years of service in a covered position or at age 55 with ten years of service under the plan. LD 1236 proposes, effective October 1, 2025, to move these members from the 1998 Special Plan into a new 25 Year No-Age Special Plan, which is often referred to as a “25 and out” plan. As the name implies, members under a 25 Year No-Age plan may retire with 25 years of covered service regardless of their age.

This bill 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. 1236 because covered employees would be able to retire earlier and with a higher benefit, and therefore would receive benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

MainePERS estimates the cost for the plan change to be approximately \$522,078 in increased UAL. There would also be an increase to the ongoing employer normal costs for the employees covered by this bill. It is our understanding that the positions covered by this bill are federally funded for which MainePERS receives employer contributions from the State. We are not involved with discussions between the State and the federal government regarding the costs of benefits provided. We defer to the State on the necessity of any communications regarding this proposed plan change.

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

MainePERS State-Sponsored Retirement Plans as of June 30, 2024

	Regular Plan	1998 Special Plan	25 Year No-Age Special Plan	Fire Marshals	Closed Plans*	Legislators	Judges
Normal Retirement Age	60/62/65	55	Any age at which member meets service requirement	Any age at which member meets service requirement	Any age at which member meets service requirement	60/62/65	60/62/65
Service Eligibility	25 years	10 years under the plan if at least age 55 <u>or</u> 25 years in a covered position	25 years of covered service	20 years of covered service	20 years of covered service	25 years	25 years
Accrual Rate	2%	2%	2%	2.5% for 20 years and 2% for additional years over 20	2.5% for 20 years and 2% for additional years over 20	2%	2% for service through 6/30/98 and 3% for service thereafter Benefits for judges appointed on or after 12/1/84 cannot exceed 70% of AFC
Early Retirement Reduction Factor	2.125% or 6% per year based on years of service on 7/1/93	2.125% or 6% per year based on years of service on 7/1/93 Reduction based on plan in which service was earned (i.e., regular or special) For some groups, service earned before the plan effective date for the group is counted as special plan service and is not subject to an early reduction for retirement prior to age 55	N/A	N/A	N/A	2.125% or 6% per year based on years of service on 7/1/93	2.125% or 6% per year based on years of service on 7/1/93