MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DATE: February 12, 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. 137 – An Act to Expand the 1998 Special Retirement Plan to Include Employees Who Work for the Office of the Chief Medical Examiner

Good morning, 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 neither for nor against L.D. 137. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a "regular plan" or a "special plan." The majority of state employees 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. Because of 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.

Employees in the Office of Chief Medical Examiner are covered by the regular plan. L.D. 137 would move these employees into the 1998 Special Plan effective October 1, 2025, and would apply retroactively to include all covered service in the special plan. Under this plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10 year requirement.

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. 137 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 $483,300 in increased UAL. There would also be an increase to the ongoing employer and member normal costs for the employees covered by this bill.

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