MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of PLD Changes

The following overview summarizes the changes to the rule that governs the Participating Local District (PLD) Consolidated Retirement Plan. The MainePERS Board of Trustees adopted these changes on May 10, 2018, September 13, 2018 and June 13, 2019 to protect the long-term funding of the PLD Plan by distributing market risk more evenly, and to limit the need to make further changes in the future.

Contributions

Contribution rates are changing to allow both members and employers to share in positive and negative risks such as investments returns. Contribution rates will be adjusted annually for both, replacing the current method where only employer rates change each year. Caps and minimums will be applied to both member and employer rates, maintaining sound Plan funding without uncontrolled increases or decreases.

Beginning July 1, 2019, total contribution rates may change year to year based on a split of approximately 58% to the employer, and 42% to the member. Each of the 11 sub plans will have a different cap and minimum which form the aggregate Plan rate caps of 12.5% for employers and 9% for members.

Also beginning July 1, 2019, member contribution rates for members who participate in a so-called "regular plan" (i.e., plan AC, AN or BC) will be based on when plan participation commenced. For members who first joined the PLD Consolidated Plan on or after July 1, 2014, the member contribution rate will be slightly lower than the member contribution rate for those who joined the Plan prior to that date. This reduced rate reflects the fact that newer members have an older retirement age (i.e., 65) than other members (i.e., 60), and as a result, anticipated pension costs are lower.

Employer Withdrawal Liability

An employer that withdraws from the Plan at a time when the Plan is underfunded must make a withdrawal liability payment. This payment covers the individual employer's share of the Plan's unfunded actuarial liability so not to pass that cost on to the remaining employers under the Plan.

Change of Service Retirement Benefit Plan or Plans

An employer that changes its service retirement plan(s) from a plan with Cost-of-Living Adjustment (COLA) to a plan without COLA can do so on a prospective basis only. Existing members of the Plan on the effective date of the plan change must remain under the COLA plan, and the No-COLA plan is applicable to new hires only. This change is a clarification of existing plan provisions.

Cost-of-Living Adjustment (COLA)

The retiree Cost-of-Living Adjustment (COLA) cap based on the Consumer Price Index for Urban Consumers (CPI-U) changes from 3% to 2.5%, applicable to COLAs as of September 2018 and later.

The retiree COLA becomes available after 24 months of retirement, instead of 12 months. This is applicable to those who retire on or after September 1, 2019.

Reductions to future COLAs on a year-by-year basis may occur if severe market losses create costs to the Plan that exceed employer and member contribution caps. These temporary reductions remain in place until markets improve and investment gains return which may help avoid any COLA freezes.

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Early Retirement

Early retirement will remain available, but the early retirement subsidy is being eliminated for most members to avoid shifting the cost to other members and employers. The early retirement subsidy is created when the full age reduction factor is not applied to the benefit of a member who retires prior to reaching their normal retirement age of 55, 60 or 65. Beginning July 1, 2019, the age reduction factor will be based on the full actuarially calculated factor, up to 6.2% for each year of early retirement, depending upon actual retirement age.

Members retiring early from a plan that provides cost-of-living adjustments will now have an additional option to defer receiving cost-of-living-adjustments until they reach their normal retirement age. This creates an actuarial reduction factor that is slightly less than the full actuarial reduction factor of up to 6.2% for each year of early retirement.

A limited group of members will continue to be eligible for the early retirement subsidy. Members that joined the Plan prior to July 1, 2014 with 20 or more years of creditable service under the PLD Consolidated Plan on July 1, 2019 will continue to be eligible for the 2.125% (approximate) per year reduction. Members that joined the plan after June 30, 2014 with 20 or more years of creditable service on July 1, 2019 will continue to be eligible for the 6% per year reduction.

Unused Sick and/or Vacation

Members who have an effective retirement date on and after August 1, 2019 must have 20 years of service credit under the Plan at retirement to use accrued, unused sick and/or vacation leave towards retirement benefits. For active members, the "effective date" of retirement is the first of the month following the date of termination.

Disability retirees are not subject to this requirement.

Employer Resumption Fee

An employer that has withdrawn from participation and rejoins the Plan more than one time is no longer subject to a $250 fee.

Retire-rehire

The new retire-rehire provisions apply to any retiree of the Plan who returns to work in a PLD Plan covered position. PLD employers who hire a retiree of the Plan must report these hires to MainePERS, regardless of which employer the member retired from.

Continuing as a retiree

During the period that a retiree is re-employed, payments equal to the greater of 5% or the aggregate unfunded actuarial liability (UAL) rate of the Plan of the person's earnable compensation must be remitted to MainePERS by the PLD.

Important note

These changes do not apply to retirees employed by a PLD on October 1, 2018 until the earlier of termination of employment or June 30, 2021. If a retiree in this category is still employed by a PLD on July 1, 2021 they will be subject to the UAL payment being submitted on their earnable compensation going forward.