

MAINE STATE LEGISLATURE

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DATE: June 15, 1995

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LABOR

Reported by: The Majority of the Committee.

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**STATE OF MAINE
SENATE
117TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 70, L.D. 158, "RESOLUTION, Proposing an Amendment to the Constitution of Maine to Prohibit Future Unfunded Liabilities and to Maintain the Current Amortization Schedule"

Amend the resolution by striking out the title and substituting the following:

'RESOLUTION, Proposing an Amendment to the Constitution of Maine to Maintain the Current Amortization Schedule for Unfunded Liabilities and to Prohibit Future Unfunded Liabilities of the Maine State Retirement System'

Further amend the resolution by striking out all of Sections 18-A and 18-B and inserting in their place the following:

'Section 18-A. Funding of retirement benefits under the Maine State Retirement System. Beginning with the fiscal year starting July 1, 1997, the normal cost of all retirement and ancillary benefits provided to participants under the Maine State Retirement System must be funded annually on an actuarially sound basis. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not exceeding 10 years.'

Section 18-B. Payment of unfunded liabilities of the Maine State Retirement System. Each fiscal year beginning with the fiscal year starting July 1, 1997, the Legislature shall appropriate funds that will retire in 31 years or less the unfunded liabilities of the Maine State Retirement System that are attributable to state employees and teachers. The unfunded liabilities referred to in this section are those determined by

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the Maine State Retirement System's actuaries and certified by the Board of Trustees of the Maine State Retirement System as of June 30, 1996.'

Further amend the resolution by striking out all of the referendum question and inserting in its place the following:

' "Do you favor amending the Constitution of Maine to require sound funding of the Maine State Retirement System, to require paying off the current unfunded liability in 31 years and to prohibit the creation of new unfunded liabilities?" '

Further amend the bill by inserting at the end before the statement of fact the following:

FISCAL NOTE

The estimated cost of sending this resolution out to referendum will vary according to the total number of referenda enacted during the First Regular Session of the 117th Legislature. The estimated cost to the Secretary of State if one to 6 referenda are enacted is \$95,000. Each additional referendum costs an additional \$7,000.

If approved by the voters, the unfunded liability amortization schedule required by the Constitution of Maine will be the schedule currently being used by the Maine State Retirement System. The Governor's proposed current services budget includes sufficient funding for the amortization payments of the 1996-1997 biennium. The prohibition on creating unfunded liabilities resulting from other than experience losses will require full funding of the past service liability of any future benefit improvements at the time of enactment.'

STATEMENT OF FACT

This amendment is the majority report of the Joint Standing Committee on Labor. This amendment retains the intent of the resolution and clarifies the following points.

1. The normal costs of retirement must be funded on an actuarially sound basis each fiscal year.

2. Funds must be appropriated each year to pay off the current unfunded liability of the Retirement System over 31 years or less.

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2 3. Future unfunded liability arising from experience losses
must be paid over a 10-year period.

4 The amendment clarifies the title of the resolution and the
6 headings of the sections proposed to be added to the Constitution
of Maine and rewords the referendum question to be consistent
8 with the intent of the resolution. The amendment also adds a
fiscal note to the resolution.