

MAINE STATE LEGISLATURE

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3M
2016

Date: 2/29/16

(Filing No. H-534)

Minority

APPROPRIATIONS AND FINANCIAL AFFAIRS

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
127TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 715, L.D. 1032, Bill, "An Act To Implement the Combination Defined Benefit and Defined Contribution Retirement Plan Described in a Report Submitted to the Joint Standing Committee on Appropriations and Financial Affairs in March 2012"

Amend the bill in section 1 in §17651 in the first paragraph in the first line (page 1, line 5 in L.D.) by striking out the following: "2017" and inserting the following: '2019'

Amend the bill in section 2 in §18851 in the first paragraph in the first line (page 1, line 32 in L.D.) by striking out the following: "2017" and inserting the following: '2019'

Amend the bill in section 3 in the 2nd paragraph in the first line (page 2, line 17 in L.D.) by striking out the following: "2015" and inserting the following: '2017'

Amend the bill in section 3 in the 2nd paragraph in the 5th line (page 2, line 21 in L.D.) by striking out the following: "127th" and inserting the following: '128th'

SUMMARY

This is the minority report of the committee. It changes the hire date on or after which state employees and teachers are covered from July 1, 2017 to July 1, 2019. It also changes the date by which the Maine Public Employees Retirement System must submit proposed legislation to the joint standing committee of the Legislature having jurisdiction over state and teacher retirement matters from December 2, 2015 to December 2, 2017.

FISCAL NOTE REQUIRED

(See attached)

COMMITTEE AMENDMENT



127th MAINE LEGISLATURE

LD 1032

LR 434(02)

An Act To Implement the Combination Defined Benefit and Defined Contribution Retirement Plan Described in a Report Submitted to the Joint Standing Committee on Appropriations and Financial Affairs in March 2012

Fiscal Note for Bill as Amended by Committee Amendment 'A' (H-534)

Committee: Appropriations and Financial Affairs

Fiscal Note Required: Yes

Fiscal Note

Future biennium cost increase - All funds

Future biennium cost increase - Local School Administrative Units

Fiscal Detail and Notes

Requiring all state employees and teachers hired on or after July 1, 2019 to participate in the federal social security system and become members of the Adjustable Pension Plan Program, a defined contribution/defined benefit plan, as a condition of employment will result in increased costs to the State and to School Administrative Units (SAU's) beginning in fiscal year 2019-20. As updated cost projections are not available, this fiscal note utilizes cost estimates included in the March 2012 New Pension Plan Design and Implementation Plan report of the working group established by the 125th Legislature pursuant to Public Law 2011, c. 380, Part U and presents them as a proxy for costs during the first four years of implementation of the new plan. These estimates were calculated based on the 2011 Actuarial Valuation for the State Employee and Teacher Retirement Program, adjusted for the plan changes made pursuant to PL 2011, c. 380, and projects the total employer cost of closing the State/Teacher Plan to new entrants and enrolling new state employees and educators hired on or after July 1, 2015. The table below presents the estimated incremental costs (savings) of closing the State/Teacher Retirement Plan to new entrants and implementing the new plan, including participation in Social Security.

Implementation of Adjustable Pension Plan Program (in millions \$)

	(Year 1)	(Year 2)	(Year 3)	(Year 4)
Closing State/Teacher Plan - Costs (Savings)	\$ 46	\$ 31	\$ 17	\$ 3
New Plan (Social Security/DB/DC) - Costs (Savings)	\$ 10	\$ 27	\$ 41	\$ 55
Total Costs (Savings)	\$ 56	\$ 58	\$ 58	\$ 58
Allocation of Employer Costs (Savings)				
State:				
Normal Cost - State Employees	\$ -	\$ (3)	\$ (5)	\$ (6)
Unfunded Actuarial Liability (UAL) - State Employees	\$ 17	\$ 14	\$ 10	\$ 7
New Plan (Social Security/DB/DC) - State Employees	\$ 3	\$ 9	\$ 14	\$ 18
Unfunded Actuarial Liability (UAL) - Teachers	\$ 29	\$ 24	\$ 19	\$ 14
Total Costs (Savings) - State	\$ 49	\$ 44	\$ 38	\$ 33

	(Year 1)	(Year 2)	(Year 3)	(Year 4)
School Administrative Units (SAU's)				
Normal Cost - Teachers	\$ -	\$ (4)	\$ (7)	\$ (11)
New Plan (Social Security/DB/DC) - Teachers	\$ 7	\$ 18	\$ 28	\$ 37
Total Costs (Savings) - SAU's	\$ 7	\$ 14	\$ 21	\$ 26
State/Local Contribution to K-12 Public Education				
State Share @ 55%	\$ 4	\$ 8	\$ 12	\$ 14
Local Share @ 45%	\$ 3	\$ 6	\$ 9	\$ 12
Total Costs (Savings)	\$ 7	\$ 14	\$ 21	\$ 26
Summary:				
Total Costs (Savings) - State	\$ 53	\$ 52	\$ 50	\$ 47
Total Costs (Savings) - SAU's	\$ 3	\$ 6	\$ 9	\$ 12
Total Costs (Savings)	\$ 56	\$ 58	\$ 59	\$ 59

Note: Totals may differ due to rounding variances.