

# MAINE STATE LEGISLATURE

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DATE: June 15, 1995 (Filing No. S-277 )

LABOR

Reported by: The Minority of the Committee.

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STATE OF MAINE
SENATE
117TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " B " 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. Upon submission of a written finding by the Governor that a severe economic emergency necessitates suspension of this section and upon a vote of at least 7/8 of the membership in each House, the Legislature may suspend state funding under this section.'

COMMITTEE AMENDMENT

R 112

2 Section 18-B. Payment of unfunded liabilities of the Maine  
 3 State Retirement System. Each fiscal year beginning with the  
 4 fiscal year starting July 1, 1997, the Legislature shall  
 5 appropriate funds that will retire in 31 years or less the  
 6 unfunded liabilities of the Maine State Retirement System that  
 7 are attributable to state employees and teachers. The unfunded  
 8 liabilities referred to in this section are those determined by  
 9 the Maine State Retirement System's actuaries and certified by  
 10 the Board of Trustees of the Maine State Retirement System as of  
 11 June 30, 1996. Upon submission of a written finding by the  
 12 Governor that a severe economic emergency necessitates suspension  
 13 of this section and upon a vote of at least 7/8 of the membership  
 14 in each House, the Legislature may suspend state funding under  
 15 this section.'

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

18 ' "Do you favor amending the Constitution of Maine to  
 19 require, except in cases of severe economic emergency, sound  
 20 funding of the Maine State Retirement System, paying off the  
 21 current unfunded liability in 31 years and prohibition on  
 22 the creation of new unfunded liabilities?" '

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

25 **FISCAL NOTE**

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

32 If approved by the voters, the unfunded liability  
 33 amortization schedule required by the Constitution of Maine will  
 34 be the schedule currently being used by the Maine State  
 35 Retirement System, except that the schedule may be altered under  
 36 certain circumstances with a vote of 7/8 of the membership in  
 37 each House of the Legislature. The Governor's proposed current  
 38 services budget includes sufficient funding for the amortization  
 39 payments of the 1996-1997 biennium. The prohibition on creating  
 40 unfunded liabilities resulting from other than experience losses  
 41 will require full funding of the past service liability of any  
 42 future benefit improvements at the time of enactment.'

**RMG**

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**STATEMENT OF FACT**

This amendment is the minority report of the Joint Standing Committee on Labor.

This amendment retains the intent of the resolution and introduces an override procedure by which the Governor and a 7/8 majority of each House of the Legislature may agree not to comply with the funding requirements in cases of severe economic emergency. The amendment also clarifies that, except in extreme emergencies:

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 Maine State Retirement System over 31 years or less; and
3. Future unfunded liability arising from experience losses must be paid over a 10-year period.

The amendment clarifies the title of the resolution and the headings of the sections proposed to be added to the Constitution of Maine and rewords the referendum question to reflect this amendment and the intent of the resolution. The amendment also adds a fiscal note to the resolution.