

MAINE STATE LEGISLATURE

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**STATE OF MAINE
SENATE
119TH LEGISLATURE
FIRST REGULAR SESSION**

SENATE AMENDMENT " A " to COMMITTEE AMENDMENT "A" to H.P. 189, L.D. 267, Bill, "An Act to Amend the Laws Relative to Vesting in the Maine State Retirement System"

Amend the amendment by striking out all of sections 21, 22 and 23 and inserting in their place the following:

Sec. 21. Transfer to Maine State Retirement System. Notwithstanding the Maine Revised Statutes, Title 5, section 1517, after the State Controller closes the financial accounts of the State for the fiscal year ending June 30, 1999, an amount not to exceed \$2,308,986 must be transferred to the Maine State Retirement System, Retirement Allowance Fund from the funds that would otherwise be payable to the Retirement Allowance Fund pursuant to Title 5, section 1517, to be made available by financial order upon the recommendation of the State Budget Officer and approval of the Governor for the implementation of 5-year vesting for state employees and teachers. The transferred amount represents the actuarial cost plus interest in the amount of \$1,482,000 for state employees and teachers and the increased normal costs in the amounts of \$402,102 in fiscal year 1999-00 and \$424,884 in fiscal year 2000-01 for teachers. Any funds remaining not needed to meet the requirements of this section must be transferred to the Retirement Allowance Fund for the purposes described in Title 5, section 1517.

Sec. 22. Employer retirement rates. The State Budget Officer shall adjust the normal cost component of the employer

retirement rates for state employees beginning with the payroll paid closest to but prior to October 1, 1999 based on the actuarial rates provided by the Maine State Retirement System so that the actual employer retirement contribution for the normal cost component in each state department and state agency account affected by this Act meets the actuarially determined normal retirement cost requirement each fiscal year.'

FISCAL NOTE

The amendment eliminates the General Fund appropriations in the bill of \$1,576,676 and \$527,296 in fiscal years 1999-00 and 2000-01, respectively, as well as the Highway Fund allocations for that same period of \$113,306 and \$34,317. These appropriations and allocations represented the estimated costs related to the unfunded liability and normal retirement cost increases that result from lowering the amount of creditable service needed for certain state employees and teachers to be eligible to receive a service retirement benefit at the applicable normal retirement age at which they qualify for benefits. Since the Constitution of Maine, Article IX, Section 18-A prohibits the creation of unfunded liabilities except those that result from experience losses, the bill proposes that certain year-end transfers of appropriations required by existing law be used to fund those costs. The amount that may be transferred, up to \$2,308,986, represents the actuarial cost of the unfunded liability resulting from establishing an effective date of October 1, 1999 and the additional costs in both fiscal year 1999-00 and fiscal year 2000-01 resulting from an increase in the normal cost component of the employer contribution rate for teachers. If the cost attributable to the increase in the unfunded liability, \$1,482,000, is not transferred by October 1, 1999, interest costs will begin to accumulate on the unpaid amount, creating an additional unfunded liability.

The cost of the increase in the normal cost component of the employer retirement rate for state employees, estimated to be \$77,494 and \$102,412, in fiscal years 1999-00 and 2000-01 for the General Fund, \$28,446 and \$34,317 for that same period in the Highway Fund and \$65,622 and \$89,526 for that period to accounts in other funds, will be absorbed by state departments and agencies within existing budgeted resources.

SUMMARY

This amendment strikes the General Fund appropriations and Highway Fund allocations included in the original bill. It provides that appropriated surplus that would otherwise be

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L.D. 267

payable to the Retirement Allowance Fund under the Maine Revised
Statutes, Title 5, section 1517, in an amount up to \$2,308,986,
be transferred to cover the unfunded liability costs and normal
cost increases for teachers.

SPONSORED BY:
(Senator MICHAUD)



COUNTY: Penobscot