

# MAINE STATE LEGISLATURE

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STATE OF MAINE
SENATE
120TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 819, L.D. 2199, Bill, "An Act to Address the Unfunded Liability of the Maine State Retirement System and the Equity of Retirement Benefits for State Employees and Teachers"

Amend the bill in section 1 by striking out all of that part designated as "§17160." (page 2, lines 3 to 16 in L.D.) and inserting its place the following:

§17160. Minimum level of employer contribution

Beginning in fiscal year 2002-03 and continuing until the unfunded liabilities of the Maine State Retirement System attributable to state employees and teachers, as defined in the Constitution of Maine, Article IX, Section 18-B, are retired, within the term provided in Section 18-B or within any shorter term provided by statute, the portion of the employer contribution rate devoted to paying the unfunded liabilities of the system attributable to state employees and teachers expressed as a percentage of the earnable compensation of state employees and teachers may not be less than the rate paid for that purpose during fiscal year 2001-02.'

Further amend the bill in section 2 by striking out all of subsection 1 (page 2, lines 23 to 48 in L.D.) and inserting in its place the following:

1. Membership; chairs. The task force consists of members as follows:

- A. Three Legislators, one of whom is appointed by the President of the Senate and 2 of whom are appointed by the Speaker of the House.

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2 B. The Commissioner of Administrative and Financial  
3 Services or the commissioner's designee; and

4  
5 C. A representative from each of the following  
6 organizations, appointed by each respective organization:  
7 the Maine State Employees Association, the Maine Education  
8 Association and the American Federation of State, County and  
9 Municipal Employees.

10  
11 The Executive Director of the Maine State Retirement System or  
12 the executive director's designee shall serve as a nonvoting  
13 adjunct member of the task force for the purpose of providing  
14 information and analysis and obtaining and directing the services  
15 of the system's actuary when needed for the work of the task  
16 force. The executive director or designee shall participate in  
17 the task force's proceedings and discussions and, together with  
18 such staff as may be provided by the Legislative Council, shall  
19 draft the accompanying legislation, if any, included in the task  
20 force report and, at the request of the members, shall draft the  
21 task force report.

22  
23 The member appointed by the President of the Senate and the first  
24 named member appointed by the Speaker of the House shall serve as  
25 cochaIRS of the task force.'

26  
27 Further amend the bill in section 2 in subsection 2 by  
28 striking out all of the last sentence (page 3, lines 4 to 7 in  
29 L.D.) and inserting in its place the following: 'Within 15 days  
30 of when the appointment of all members is complete, the cochaIRS  
31 of the task force shall call and convene the first meeting of the  
32 task force.'

33  
34 Further amend the bill in section 2 by striking out all of  
35 subsection 4 (page 3, lines 36 to 39 in L.D.) and inserting in  
36 its place the following:

37  
38 **'4. Meetings.** The task force is authorized to hold not  
39 more than 4 meetings to complete its work.

40  
41 **5. Staff assistance.** Upon approval of the Legislative  
42 Council, the Office of Policy and Legal Analysis shall provide  
43 necessary staffing service to the task force. The Maine State  
44 Retirement System shall provide information and actuarial  
45 assistance upon request of the cochaIRS of the task force.'

46  
47 Further amend the bill in section 2 in subsection 5 in the  
48 2nd and 3rd lines from the end (page 3, lines 46 and 47 in L.D.)  
49 by striking out the following: "and a per diem equal to the  
50 legislative per diem"

2 Further amend the bill in section 2 by striking out all of  
3 subsection 6 (page 4, lines 1 to 4 in L.D.) and inserting in its  
4 place the following:

6 '6. Report. The task force shall submit its report with  
7 any accompanying legislation to the joint standing committee of  
8 the Legislature having jurisdiction over retirement matters by  
9 November 6, 2002. Following receipt and review of the report,  
10 the joint standing committee may report out a bill to the First  
11 Regular Session of the 121st Legislature.'

12 Further amend the bill in section 2 by renumbering the  
13 subsections to read consecutively.

14 Further amend the bill by inserting at the end before the  
15 summary the following:

18  
19  
20 **FISCAL NOTE**

22 The State has been notified by the Department of Audit and  
23 the federal Division of Cost Allocation that the unfunded  
24 liability rate for state employees and teachers must be  
25 actuarially based in order to be eligible for federal  
26 reimbursement. Currently, the rate meets that standard. If the  
27 proposed legislation were enacted, it is possible that the rate  
28 could be higher than the actuarially based rate. If that were  
29 the case, the amount paid with federal funds that was in excess  
30 of the actuarially based amount would be identified by the  
31 Department of Audit as questioned costs and would be expected to  
32 be refunded to the Federal Government.

34 The General Fund costs of the Task Force to Study Methods of  
35 Addressing Inequities in the Retirement Benefits of State  
36 Employees and Teachers is estimated to be \$2,660 in fiscal year  
37 2002-03. These costs can be absorbed within the Legislature's  
38 existing budgeted resources utilizing available balance forward  
39 from fiscal year 2001-02.

40 This bill requires that the portion of the employer  
41 contribution rate that goes toward paying the unfunded  
42 liabilities of the state employee and teacher plan may not be  
43 less than the rate paid for that purpose during fiscal year  
44 2001-02. Because the rate in fiscal year 2002-03 is higher than  
45 the rate paid in fiscal year 2001-02, there is no fiscal impact.  
46 However, establishing the rate paid in fiscal year 2001-02 as the  
47 floor may, in future years, require larger employer contributions  
48 than would otherwise be required, if the actual rate in any  
49 future year is lower than the fiscal year 2001-02 rate.  
50

2 This bill also requires additional services of the Maine  
4 State Retirement System's actuary for work related to the task  
6 force. The ability of the Maine State Retirement System to  
8 absorb these costs within existing budgeted resources can not be  
10 determined at this time and will depend on the extent of the  
12 actuarial work required. If the system determines that these  
14 costs are of such an effect that the authority to expend  
additional operating funds should be requested, it will seek an  
amendment to its existing expenditure authority to allow  
additional funds to be expended from operating expense reserves.  
There would be no fiscal year 2002-03 effect on the State as a  
result of such a request.

16 The additional costs associated with providing staffing  
18 assistance to the task force during the interim between  
20 legislative sessions can be absorbed by the Legislature utilizing  
22 existing budgeted resources. If an extension of the reporting  
deadline is granted and the task force requires staffing  
assistance during the legislative session, the Legislature may  
require an additional General Fund appropriation to contract for  
staff services.

24 The additional costs associated with membership on the task  
26 force can be absorbed by the Department of Administrative and  
28 Financial Services and the Maine State Retirement System  
utilizing existing budgeted resources.'

### SUMMARY

32 This amendment clarifies that the floor established in the  
34 bill for the rate of retirement of the unfunded liabilities of  
36 the Maine State Retirement System applies whether the unfunded  
38 liabilities are retired within the time period required by the  
40 Constitution of Maine or some shorter period of time. The  
42 amendment also clarifies the membership of the task force  
44 established in section 2 of the bill. It removes the executive  
46 director and a member of the Board of Trustees of the Maine State  
48 Retirement System from the task force and provides for 2 of the 3  
50 Legislators to be appointed by the Speaker of the House. The  
executive director or a designee is made an adjunct nonvoting  
member of the task force. It changes the process for convening  
the first meeting. The amendment limits the task force to 4  
meetings and provides for staffing services by the Office of  
Policy and Legal Analysis. Nonlegislative members may be  
reimbursed for expenses only. The reporting date of the task  
force is changed to November 6th and the joint standing committee  
of the Legislature having jurisdiction over retirement matters is

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2 authorized to report out a bill to the First Regular Session of the 121st Legislature. This amendment a fiscal note to the bill.

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