

MAINE STATE LEGISLATURE

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Date: 06-12-07

(Filing No. S-286)

LABOR

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STATE OF MAINE

SENATE

123RD LEGISLATURE

FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 424, L.D. 1223, Bill, "An Act To Provide a Uniform Retirement Plan for Corrections Officers and Mental Health Workers"

Amend the bill by striking out all of section 10 and inserting the following:

'Sec. 10. Corrections and Mental Health Workers Service Retirement Benefit Reserve; established. Notwithstanding the Maine Revised Statutes, Title 5, section 1536, there is established the Corrections and Mental Health Workers Service Retirement Benefit Reserve for the purpose of accumulating funds that would otherwise be payable to the Retirement Allowance Fund. The assets of the Corrections and Mental Health Workers Service Retirement Benefit Reserve must be held by the Maine State Retirement System as assets of the system apart from other assets attributable to the state employee and teacher retirement plan of the system. These assets must be accounted for by the system in the manner it determines to reflect the requirements of this Act. The Corrections and Mental Health Workers Service Retirement Benefit Reserve must be used to reserve funds to meet the full actuarial costs arising from the implementation of those sections of this Act that enact Title 5, section 17851-A, subsection 1, paragraph N and amend Title 5, section 17851-A, subsections 2, 3, 4 and 5, including normal cost rates for the 6 years following the effective date of this Act. Any funds remaining in the Corrections and Mental Health Workers Service Retirement Benefit Reserve at the end of each fiscal year must be carried forward to be used for the same purposes. Expenditures may not be made from this reserve and appropriations may not be considered to be made to the Retirement Allowance Fund or the Maine State Retirement System from this reserve except as provided in this Act or by further authorization of the Legislature.'

Amend the bill in section 11 in the last line (page 4, line 23 in L.D.) by inserting after the following: "section 1536." the following: 'In addition, beginning on the effective date of this Act, members of the Maine State Retirement System who are employees of the Department of Health and Human Services as of January 1, 2000 or hired thereafter who are employed in mental health institutions and whose duties involve providing direct care, meaning services or treatment essential to everyday security, health and well-being, to residents or patients of those institutions or to wards of the State shall contribute to their

COMMITTEE AMENDMENT

RSB

COMMITTEE AMENDMENT "A" to S.P. 424, L.D. 1223

1 individual retirement accounts an additional 1% of earnable compensation until the
2 contingency set out in section 14 of this Act is satisfied by the required certification.
3 Such contributions are included as accumulated contributions as defined in Title 5,
4 section 17001, subsection 1 but must be refunded in full to any member contributing
5 them who retires on or before the effective date of those sections of this Act that enact the
6 Maine Revised Statutes, Title 5, section 17851-A, subsection 1, paragraph N and amend
7 Title 5, section 17851-A, subsections 2, 3, 4 and 5 pursuant to section 15 of this Act.'

8 Amend the bill in section 13 in the second line (page 5, line 4 in L.D.) by striking out
9 the following: "between August 31, 1984 and" and insert the following: 'before'

10 Amend the bill in section 13 in the third line (page 5, line 5 in L.D.) by striking out
11 the following: "between August 31, 1984 and" and insert the following: 'before'

12 Amend the bill in section 13 in the second indented paragraph in the second line
13 (page 5, line 25 in L.D.) by striking out the following: "between August 31, 1984 and"
14 and insert the following: 'before'

15 Amend the bill in section 14 in the first line (page 5, line 38 in L.D.) by striking out
16 the following: "between August 31, 1984 and" and insert the following: 'before'

17 Amend the bill in section 14 in the third line (page 5, line 40 in L.D.) by striking out
18 the following: "between August 31, 1984 and" and insert the following: 'before'

19 Amend the bill by striking out all of section 15 and inserting the following:

20 '**Sec. 15. Contingent effective date; construction.** Those sections of this Act
21 that enact the Maine Revised Statutes, Title 5, section 17851-A, subsection 1, paragraph
22 N and amend Title 5, section 17851-A, subsections 2, 3, 4 and 5 do not take effect unless
23 and until the contingency set out in section 14 of this Act is satisfied by the required
24 certification. The full actuarial costs arising from the implementation of those sections
25 must be adjusted upward, if necessary, based upon actuarial projections of the Maine
26 State Retirement System. Those sections of this Act that enact Title 5, section 17851-A,
27 subsection 1, paragraph N and amend Title 5, section 17851-A, subsections 2, 3, 4 and 5
28 may not be construed to create any contractual claim or right or any other claim for any
29 state employee.'

30 **SUMMARY**

31 This amendment provides that the Corrections and Mental Health Workers Service
32 Retirement Benefit Reserve is held by the Maine State Retirement System rather than in
33 the General Fund. The amendment also provides for 1% contributions to the reserve by
34 affected classifications of corrections officers and mental health workers.

35 **FISCAL NOTE REQUIRED**
36 (See attached)

COMMITTEE AMENDMENT



123rd MAINE LEGISLATURE

LD 1223

LR 912(02)

An Act To Provide a Uniform Retirement Plan for Corrections Officers and Mental Health Workers

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Labor

Fiscal Note Required: Yes

Fiscal Note

Current biennium cost increase - General Fund
 Future biennium cost increase - Federal Expenditures Fund
 Future biennium cost increase - Other Special Revenue Funds

Fiscal Detail and Notes

Adding mental health workers to the 1998 Special Plan and providing that all service for corrections and mental health workers is to be considered as service earned in the 1998 Special Plan, regardless of when that service was earned will increase the normal cost component of the employer retirement rate resulting in increased employer contributions to the Maine State Retirement System and increase the unfunded liability of the Retirement System.

Based on calculations performed by the System's actuary, the unfunded liability cost associated with the plan changes as of June 30, 2007 totals \$31,040,512, of which \$12,669,713 is attributable to Mental Health Workers and \$18,370,799 is attributable to Corrections employees. The additional normal cost dollars for Mental Health Workers as a result of the increase in the rate from 5.75% to 6.50% is estimated to be \$148,000 for fiscal year 2007-08 and \$155,000 for fiscal year 2008-09. Because Correction employees already participate in the 1998 Special Plan, there is no increase in the normal cost for that group of employees.

In order to address these costs, this legislation creates the Corrections and Mental Health Workers Service Retirement Benefit Reserve and proposes to divert funds from the unappropriated surplus of the General Fund at the end of each fiscal year, beginning in fiscal year 2007-08, that would otherwise be transferred to the Retirement Allowance Fund, pursuant to 5 MRSA §1536, sub-§1(B), in order to reserve funds to meet the full actuarial costs of the provisions of this bill, including the normal cost rates for the 6 years following the effective date of the legislation. This legislation also states that the plan changes proposed in this bill do not become effective until full funding is available as certified by the Maine State Retirement System.

The cost of this legislation, including the loss of potential savings as a result of diverting funds from the Retirement Allowance Fund that otherwise would be transferred from the unappropriated surplus of the General Fund, if available at year-end, and applied to the unfunded liability can not be determined at this time. Information provided by the Maine State Retirement System indicates that the transfer of \$13.1 million from the unappropriated surplus at the end

of fiscal year 2004-05 resulted in cumulative savings of approximately \$31.5 million over the 21 year amortization schedule.

It is also unknown whether there will be sufficient funds available to transfer to the retirement benefit reserve to fund this provision by fiscal year 2012-13 or to fund the normal cost component on an annual basis. The General Fund has had year-end surpluses over the past 4 consecutive fiscal years which allowed for a total of \$63.7 million to be transferred to the Retirement Allowance Fund, with \$17.5 million being transferred at the end of fiscal year 2005-06 and, as stated above, \$13.1 million at the end of fiscal year 2004-05. At the present time, it appears that there will not be any surplus funds available for this purpose at the end of fiscal year 2006-07. Public Law 2007, Chapter 1, Part L provides for the transfer of up to \$82,000,000 from the unappropriated surplus of the General Fund to the Department of Health and Human Services, Medical Care - Payments to Providers account as the first priority after the transfers required pursuant to 5 MRSA §1507 and §1511 and before the transfers required pursuant to 5 MRSA, §1536.