

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 1654

H.P. 1163

House of Representatives, March 22, 2007

**An Act To Reduce the Cost of the Unfunded Liability of the State
Employee and Teacher Retirement Fund and To Reduce the Cost to
Maine Citizens of Purchasing State Bonds**

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative THOMAS of Ripley.
Cosponsored by Senator GOOLEY of Franklin and
Representatives: AYOTTE of Caswell, CEBRA of Naples, EMERY of Cutler, JOY of Crystal,
LEWIN of Eliot, McKANE of Newcastle, MILLETT of Waterford, SAVIELLO of Wilton.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **CONCEPT DRAFT**
3 **SUMMARY**

4 This bill is a concept draft pursuant to Joint Rule 208.

5 This bill proposes to accomplish 2 goals. Part A would reduce the cost of the
6 unfunded actuarial liability to the state employee and teacher retirement fund by
7 authorizing the issuance of pension cost reduction bonds by the Maine Municipal Bond
8 Bank. Part B would authorize the Treasurer of State to institute a program to make the
9 purchase of State general obligation bonds more accessible to Maine citizens.

10 **PART A**

11 Pension cost reduction bonds would be issued to pay off part or all of the outstanding
12 unfunded liability, currently in excess of \$3,000,000,000, the state has to its state
13 employee and teacher retirement fund. Savings would be realized over time by the
14 difference between the interest cost of the bonds and the cost assessed by the Maine State
15 Retirement System on the unfunded obligation. The bill would provide at a minimum the
16 following elements:

17 1. Pension cost reduction bonds are tax-exempt or taxable bonds issued by the Maine
18 Municipal Bond Bank.

19 2. Notwithstanding any other provision of law, the bank may issue up to
20 \$3,000,000,000 plus financing costs, excluding bonds to refund bonds for the purpose of
21 obtaining the economic benefit of reducing the debt service on the outstanding bonds, of
22 pension cost reduction bonds, to be repaid solely from funds provided in this bill. The
23 bank may issue pension cost reduction bonds pursuant to a resolution to be adopted by
24 the bank in the amount and upon such terms as it considers appropriate. The terms of the
25 pension cost reduction bonds, their repayment schedule and other provisions to facilitate
26 their creditworthiness must be determined by the bank.

27 3. Pension cost reduction bonds are not, and may not be deemed to constitute, a debt
28 or liability of the State or of any political subdivision of the State, or a pledge of the full
29 faith and credit of the State or of any political subdivision of the State, but are special
30 obligations of the bank payable solely from the funds and revenues pledged therefor.

31 4. Proceeds from any sale of the pension cost reduction bonds must be deposited into
32 the Retirement Allowance Fund established in the Maine Revised Statutes, Title 5,
33 section 17251.

34 5. The bonds are to be repaid from certain revenues designated by the State
35 Controller.

