

MAINE STATE LEGISLATURE

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Date: 4-15-08

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STATE OF MAINE
SENATE
123RD LEGISLATURE
FIRST SPECIAL SESSION

SENATE AMENDMENT " F " to COMMITTEE AMENDMENT "A" to S.P. 600,
L.D. 1693, Bill, "An Act To Restore Equity to the Maine State Retirement System"

Amend the amendment by striking out everything after the substitute title and before the summary and inserting the following:

'Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'Sec. 1. 5 MRSA §17852, sub-§3-B is enacted to read:

3-B. Teachers with fewer than 10 years of creditable service on July 1, 1993.
Notwithstanding subsection 3-A, for a teacher who was employed as a teacher and who was a member on July 1, 1993 and did not have 10 years of creditable service, the amount of the service retirement benefit for members qualified under section 17851, subsection 3 is computed in accordance with subsection 1, except that the benefit is reduced by 3% for each year that the member's age precedes 62 years of age.

Sec. 2. Teacher members receiving service retirement benefits on effective date of Act. Teacher members of the state employee and teacher retirement system governed by the Maine Revised Statutes, Title 5, chapter 423 receiving service retirement benefits on the effective date of this Act who would receive an increased service retirement benefit if their benefit had been calculated using the 3% reduction factor provided in this Act must receive such an increased benefit retroactive to their effective date of retirement.

Sec. 3. Teacher members who retire on or after the effective date of this Act. As teacher members of the state employee and teacher retirement system governed by the Maine Revised Statutes, Title 5, chapter 423 retire on or after the effective date of this Act, their benefits based on service earned on or after the effective date of this Act and their benefits based on service earned prior to the effective date of this Act must be calculated using the 3% reduction factor specified in Title 5, section 17852, subsection 3-B.

Sec. 4. Funding benefits under this Act. This section provides funding for the benefits provided under this Act.

SENATE AMENDMENT

- 1 1. For purposes of this section, the following terms have the following meanings:
2 A. "Cost of this Act" means the total of:
3 (1) All past service liabilities created by the benefits provided in this Act;
4 (2) The normal cost payments for fiscal year 2008-09 associated with the
5 benefits provided in this Act; and
6 (3) The fiscal year 2008-09 unfunded liability supplemental payment.
7 B. "Fiscal year 2008-09 unfunded liability supplemental payment" means payment of
8 an amount toward the unfunded liability that equals the first year's payment of a 20-
9 year amortization of the amount of the fiscal year 2007-08 unfunded liability
10 payment that is deferred in order to pay the cost of this Act.
11 C. "Unfunded liability" means the unfunded actuarial liability of the Maine Public
12 Employees Retirement System attributable to teachers under the Constitution of
13 Maine, Article IX, Section 18-B.
14 D. "Unfunded liability payment" means the amount appropriated or allocated by the
15 Legislature for the Maine Public Employees Retirement System as the employer
16 contribution amount paid toward the unfunded liability.
- 17 2. Notwithstanding Title 5, section 17160, the employer contribution amount paid
18 toward the unfunded liability may be less for fiscal year 2007-08 than the amount paid for
19 that purpose during fiscal year 2006-07, as long as the Board of Trustees of the Maine
20 Public Employees Retirement System takes an action, consistent with sound actuarial
21 practice, to reduce the required unfunded liability payment in fiscal year 2007-08.
22 A. If, on or before the effective date of this Act, the Board of Trustees of the Maine
23 Public Employees Retirement System takes an action to reduce the required unfunded
24 liability payment for fiscal year 2007-08 by an amount that leaves a balance sufficient
25 to fund the cost of this Act, that balance is committed by this Act to fund the cost of
26 this Act.
27 B. If, on or before the effective date of this Act, the Board of Trustees of the Maine
28 Public Employees Retirement System does not take an action that reduces the
29 required unfunded liability payment for fiscal year 2007-08 by an amount sufficient
30 to fund the cost of this Act, the entire amount of the fiscal year 2007-08 unfunded
31 liability payment must be applied toward the unfunded liability.
- 32 3. Notwithstanding subsection 2, the entire amount of the fiscal year 2007-08
33 unfunded liability payment:
34 A. Must be paid over to the Maine Public Employees Retirement System; and
35 B. Is deemed the employer contribution amount paid toward the unfunded liability
36 for fiscal year 2007-08 for the sole purpose of calculating the required unfunded
37 liability payment for fiscal year 2008-09 and thereafter pursuant to Title 5, section
38 17160.
- 39 4. Beginning in fiscal year 2009-10, the increase in the normal cost resulting from
40 the benefits provided under this Act and any increase in unfunded liability payments
41 resulting from the application of the 2007-08 unfunded liability payment to fund the cost

1 of this Act must be appropriated or allocated by the Legislature from the General Fund or
2 other appropriate funds in accordance with law.

3 **Sec. 5. Contingent effective date.** Since the Constitution of Maine, Article IX,
4 Section 18-A requires the Maine Public Employees Retirement System to be funded
5 annually on an actuarially sound basis and prohibits the creation of unfunded liabilities
6 except those resulting from experience losses, sections 1 to 3 take effect only if the Board
7 of Trustees of the Maine Public Employees Retirement System, pursuant to section 4,
8 takes an action to reduce the required unfunded liability payment for fiscal year 2007-08.
9 Within 10 days of the effective date of this Act, the Board of Trustees of the Maine
10 Public Employees Retirement System shall notify the Secretary of the Senate, the Clerk
11 of the House of Representatives and the Revisor of Statutes whether, pursuant to section
12 4, it took an action on or before the effective date of this Act to reduce the required
13 unfunded liability payment for fiscal year 2007-08.' '

14 **SUMMARY**

15 This amendment does the following:

16 1. It reduces the early retirement reduction factor from 6% to 3% for teachers
17 employed on July 1, 1993 who did not have 10 years of creditable service. This corrects
18 what is known as the "cliff" provision;

19 2. It allows the Board of Trustees of the Maine Public Employees Retirement System
20 to reduce the payment in fiscal year 2007-08 toward the unfunded actuarial liability of the
21 teacher retirement program and, if such a reduction is made, to apply the balance of the
22 amount appropriated for that purpose to fund the past service liabilities created by the
23 benefits provided under the amended bill, the increase in normal cost in fiscal year 2008-
24 09 associated with the benefits provided under the amended bill and any increased
25 unfunded liability payments required in fiscal year 2008-09 resulting from the reduced
26 unfunded liability contribution in fiscal year 2007-08; and

27 3. It provides that the substantive changes to the state employee and teacher
28 retirement system accomplished by this legislation take effect only if the Board of
29 Trustees of the Maine Public Employees Retirement System determine that the reduction
30 in the required unfunded liability payment in fiscal year 2007-08 is consistent with sound
31 actuarial practice.

32 **SPONSORED BY:**

Roger L Sherman

33 (Senator SHERMAN)

34 **COUNTY:** Aroostook

FISCAL NOTE REQUIRED
(See attached)



123rd MAINE LEGISLATURE

LD 1693

LR 2016(11)

An Act To Restore Equity to the Maine State Retirement System

Fiscal Note for Senate Amendment "F" to Committee Amendment "A"

Sponsor: Sen. Sherman of Aroostook

Fiscal Note Required: Yes

Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
Net Cost (Savings)				
General Fund	\$0	\$0	(\$4,474,108)	(\$4,686,628)
Highway Fund	\$0	\$0	(\$313,240)	(\$328,119)
Appropriations/Allocations				
General Fund	\$0	\$0	(\$4,474,108)	(\$4,686,628)
Highway Fund	\$0	\$0	(\$313,240)	(\$328,119)
Federal Expenditures Fund	\$0	\$0	(\$477,401)	(\$500,077)
Other Special Revenue Funds	\$0	\$0	(\$287,717)	(\$301,383)
Federal Block Grant Fund	\$0	\$0	(\$28,424)	(\$29,774)
Other Funds	\$0	\$0	(\$219,848)	(\$230,291)

Fiscal Detail and Notes

This amendment reduces the 2008-2009 biennial cost of the bill by \$53,600,000 with \$51,900,000 being the decreased cost to the unfunded actuarial liability and \$1,700,000 being the decreased cost associated with the normal cost component for fiscal year 2008-09.

This amendment reduces the total cost of the bill through June 30, 2028 by \$172,122,287. Of that amount, the decrease to the unfunded liability payments will be \$119,072,708 and the decrease to the normal cost component payments will be \$53,049,579.

As amended, reducing the early retirement reduction factor from 6% to 3% for only those teachers who were members of the Maine Public Employees Retirement System as of June 30, 1993 and are currently subject to the 6% reduction factor will result in a 2008-2009 biennial cost of \$43,200,000, with \$42,000,000 being the increased cost to the unfunded actuarial liability and \$1,200,000 being the increased normal cost component for fiscal year 2008-09.

As amended, because this legislation proposes to fund the current biennium cost of this provision by utilizing a portion of the \$199,295,540 already appropriated and/or allocated in fiscal year 2007-08 to the Maine Public Employees Retirement System (MainePERS) for the employer's contribution to the unfunded liability, no additional General Fund appropriation is required in the 2008-2009 biennium. However, based on current projections, reducing the amount of funds to be applied to existing unfunded actuarial liability in fiscal year 2007-08 and providing the additional benefit will result in total additional payments through June 30, 2028 of \$133,415,808. Of that amount, the total increase to the unfunded liability payments will be \$95,969,047 and the increase to the normal cost component payments will be \$37,446,761.