

MAINE STATE LEGISLATURE

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R.O.S.

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L.D. 1693

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Date: 3-11-08

(Filing No. S-451)

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LABOR

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Reproduced and distributed under the direction of the Secretary of the Senate.

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STATE OF MAINE

6

SENATE

7

123RD LEGISLATURE

8

SECOND REGULAR SESSION

Majority

9

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

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Amend the bill by striking out the title and substituting the following:

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'An Act To Restore Equity to the Maine Public Employees Retirement

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System'

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Amend the bill by inserting after the enacting clause and before section 1 the following:

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'Sec. 1. 3 MRSA §851, sub-§2-A, as amended by PL 1999, c. 756, §3 and PL 2007, c. 58, §3, is further amended to read:

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2-A. Early retirement; less than 10 years creditable service on July 1, 1993. Any member, whether or not in service at retirement, who on July 1, 1993 had less than 10 years of creditable service and who has completed at least 25 years of creditable service may retire any time before the member's 62nd birthday. Creditable service as a member of the Maine Public Employees Retirement System may be combined with creditable service as a member of the Maine Legislative Retirement System for the purpose of determining the completion of 25 years of creditable service. The retirement allowance is determined in accordance with section 852, except that it is reduced by ~~6%~~ 3% for each year that the member's age precedes age 62.

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Sec. 2. 4 MRSA §1351, sub-§3-A, as amended by PL 1999, c. 756, §9, is further amended to read:

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3-A. Early retirement; less than 10 years creditable service on July 1, 1993. Any member, whether or not in service at retirement, who on July 1, 1993 had less than 10 years of creditable service and who has completed at least 25 years of creditable service may retire any time before the member's 62nd birthday. The retirement allowance is determined in accordance with section 1352, except that the benefit is reduced by ~~6%~~ 3% for each year that the member's age precedes age 62.'

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R.O.S.

1 Amend the bill by striking out all of sections 12 and 13 (page 5, lines 3 to 15 in L.D.)
2 and inserting the following:

3 **Sec. 12. Members receiving service retirement benefits on effective date**
4 **of Act.** Members of the state employee and teacher retirement system governed by the
5 Maine Revised Statutes, Title 5, chapter 423, the legislative retirement system governed
6 by Title 3, chapter 29 and the judicial retirement system governed by Title 4, chapter 27
7 receiving service retirement benefits on the effective date of this Act who would receive
8 an increased service retirement benefit if their benefit had been calculated using the 3%
9 reduction factor provided in this Act must receive such an increased benefit retroactive to
10 their effective date of retirement.

11 **Sec. 13. Members who retire on or after the effective date of this Act.** As
12 members of the state employee and teacher retirement system governed by the Maine
13 Revised Statutes, Title 5, chapter 423, the legislative retirement system governed by Title
14 3, chapter 29 and the judicial retirement system governed by Title 4, chapter 27 retire on
15 or after the effective date of this Act, their benefits based on service earned in the
16 applicable system on or after the effective date of this Act and their benefits based on
17 service earned in the applicable system prior to the effective date of this Act must be
18 calculated using the 3% reduction factor specified in Title 3, section 851; Title 4, section
19 1351; and Title 5, sections 17851-A and 17852.

20 **Sec. 14. Funding benefits under this Act.** This section provides funding for the
21 benefits provided under this Act.

- 22 1. For purposes of this section, the following terms have the following meanings:
23 A. "Cost of this Act" means the total of:
24 (1) All past service liabilities created by the benefits provided in this Act;
25 (2) The normal cost payments for fiscal year 2008-09 associated with the
26 benefits provided in this Act; and
27 (3) The fiscal year 2008-09 unfunded liability supplemental payment.
28 B. "Fiscal year 2008-09 unfunded liability supplemental payment" means payment of
29 an amount toward the unfunded liability that equals the first year's payment of a 20-
30 year amortization of the amount of the fiscal year 2007-08 unfunded liability
31 payment that is deferred in order to pay the cost of this Act.
32 C. "Unfunded liability" means the unfunded actuarial liability of the Maine Public
33 Employees Retirement System attributable to state employees and teachers under the
34 Constitution of Maine, Article IX, Section 18-B.
35 D. "Unfunded liability payment" means the amount appropriated or allocated by the
36 Legislature for the Maine Public Employees Retirement System as the employer
37 contribution amount paid toward the unfunded liability.

38 2. Notwithstanding Title 5, section 17160, the employer contribution amount paid
39 toward the unfunded liability may be less for fiscal year 2007-08 than the amount paid for
40 that purpose during fiscal year 2006-07, as long as the Board of Trustees of the Maine

R. 018

COMMITTEE AMENDMENT "A" to S.P. 600, L.D. 1693

1 Public Employees Retirement System takes an action, consistent with sound actuarial
2 practice, to reduce the required unfunded liability payment in fiscal year 2007-08.

3 A. If, on or before the effective date of this Act, the Board of Trustees of the Maine
4 Public Employees Retirement System takes an action to reduce the required unfunded
5 liability payment for fiscal year 2007-08 by an amount that leaves a balance sufficient
6 to fund the cost of this Act, that balance is committed by this Act to fund the cost of
7 this Act.

8 B. If, on or before the effective date of this Act, the Board of Trustees of the Maine
9 Public Employees Retirement System does not take an action that reduces the
10 required unfunded liability payment for fiscal year 2007-08 by an amount sufficient
11 to fund the cost of this Act, the entire amount of the fiscal year 2007-08 unfunded
12 liability payment must be applied toward the unfunded liability.

13 3. Notwithstanding subsection 2, the entire amount of the fiscal year 2007-08
14 unfunded liability payment:

15 A. Must be paid over to the Maine Public Employees Retirement System; and

16 B. Is deemed the employer contribution amount paid toward the unfunded liability
17 for fiscal year 2007-08 for the sole purpose of calculating the required unfunded
18 liability payment for fiscal year 2008-09 and thereafter pursuant to Title 5, section
19 17160.

20 4. Beginning in fiscal year 2009-10, the increase in the normal cost resulting from
21 the benefits provided under this Act and any increase in unfunded liability payments
22 resulting from the application of the 2007-08 unfunded liability payment to fund the cost
23 of this Act must be appropriated or allocated by the Legislature from the General Fund or
24 other appropriate funds in accordance with law.

25 **Sec. 15. Contingent effective date.** Since the Constitution of Maine, Article IX,
26 Section 18-A requires the Maine Public Employees Retirement System to be funded
27 annually on an actuarially sound basis and prohibits the creation of unfunded liabilities
28 except those resulting from experience losses, sections 1 to 15 take effect only if the
29 Board of Trustees of the Maine Public Employees Retirement System, pursuant to section
30 16, takes an action to reduce the required unfunded liability payment for fiscal year 2007-
31 08. Within 10 days of the effective date of this Act, the Board of Trustees of the Maine
32 Public Employees Retirement System shall notify the Secretary of the Senate, the Clerk
33 of the House of Representatives and the Revisor of Statutes whether, pursuant to section
34 16, it took an action on or before the effective date of this Act to reduce the required
35 unfunded liability payment for fiscal year 2007-08.'

36 Amend the bill by relettering or renumbering any nonconsecutive Part letter or
37 section number to read consecutively.

38 **SUMMARY**

39 This amendment does the following:

40 1. It reduces the early retirement reduction factor from 6% to 3% for members of the
41 legislative retirement program and the judicial retirement program who are currently
42 subject to the 6% reduction factor. This ensures consistency with the same reduction that

COMMITTEE AMENDMENT

COMMITTEE AMENDMENT "A" to S.P. 600, L.D. 1693

BOE

1 is provided to members of the state employee and teacher retirement program under the
2 bill;

3 2. It allows the Board of Trustees of the Maine Public Employees Retirement System
4 to reduce the payment in fiscal year 2007-08 toward the unfunded actuarial liability of the
5 state employee and teacher retirement program and, if such a reduction is made, to apply
6 the balance of the amount appropriated for that purpose to fund the past service liabilities
7 created by the benefits provided under the amended bill, the increase in normal cost in
8 fiscal year 2008-09 associated with the benefits provided under the amended bill and any
9 increased unfunded liability payments required in fiscal year 2008-09 resulting from the
10 reduced unfunded liability contribution in fiscal year 2007-08; and

11 3. It provides that the substantive changes to the Maine Public Employees
12 Retirement System accomplished by this legislation take effect only if the Board of
13 Trustees of the Maine Public Employees Retirement System determine that the reduction
14 in the required unfunded liability payment in fiscal year 2007-08 is consistent with sound
15 actuarial practice.

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FISCAL NOTE REQUIRED

(See attached)



123rd MAINE LEGISLATURE

LD 1693

LR 2016(02)

An Act To Restore Equity to the Maine State Retirement System

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

Committee: Labor

Fiscal Note Required: Yes

Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
Net Cost (Savings)				
General Fund	\$0	\$0	\$7,942,636	\$8,319,911
Highway Fund	\$0	\$0	\$556,077	\$582,491
Appropriations/Allocations				
General Fund	\$0	\$0	\$7,942,636	\$8,319,911
Highway Fund	\$0	\$0	\$556,077	\$582,491
Federal Expenditures Fund	\$0	\$0	\$847,503	\$887,759
Other Special Revenue Funds	\$0	\$0	\$510,767	\$535,029
Federal Block Grant Fund	\$0	\$0	\$50,459	\$52,856
Other Funds	\$0	\$0	\$390,284	\$408,822

Fiscal Detail and Notes

Reducing the early retirement reduction factor from 6% to 3% for members of the State Employee and Teacher Retirement Plan, the Legislative Retirement Plan and the Judicial Retirement Plan who are currently subject to the 6% reduction factor will result in a 2008-2009 biennial cost of \$96,800,000, with \$93,900,000 being the increased cost to the unfunded actuarial liability and \$2,900,000 being the increased normal cost component for fiscal year 2008-09.

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 \$305,538,095. Of that amount, the total increase to the unfunded liability payments will be \$215,041,755 and the increase to the normal cost component payments will be \$90,496,340.