

# MAINE STATE LEGISLATURE

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Date: 5/5/9

L.D. 292  
(Filing No. H-237)

minority  
LABOR

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
124TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 232, L.D. 292, Bill, "An Act To Restore Equity to the Maine Public Employees Retirement System"

Amend the bill by incorporating the attached fiscal note.

SUMMARY

This is the minority report of the Joint Standing Committee on Labor. This amendment incorporates a fiscal note.

**COMMITTEE AMENDMENT**

**124th MAINE LEGISLATURE**

LD 292

LR 240(02)

**An Act To Restore Equity to the Maine Public Employees Retirement System****Fiscal Note for Bill as Amended by Committee Amendment "A"****Committee: Labor****Fiscal Note Required: Yes**

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**Fiscal Note**

Potential current biennium cost increase - Multiple Funds

**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 were members as of July 1, 1993, excluding those members whose normal retirement age is 55 and are currently subject to the 6% reduction factor, will increase the normal cost component of the employer retirement rates by .11%, resulting in increased employer contributions to the Maine Public Employees Retirement System for all state employees and teachers, not just those participants who are impacted by this legislation. That amount is estimated to be \$1.89 million in fiscal year 2009-10 and \$1.95 million in fiscal year 2010-11. This provision will also increase the unfunded liability of the Maine Public Employees Retirement System by approximately \$64.9 million.

These estimates are based on information provided by the System that reflect the cost of a similar proposal which assumed a July 1, 2008 effective date that was submitted to the Legislature during the First Special Session of the 123rd Legislature. Although the System did not request its actuary to update its analysis of the proposal for this legislation, it is expected that the cost would be higher given the passage of time and current financial and economic conditions.

This legislation proposes to fund the one-time cost of the unfunded actuarial liability by allowing the Board of Trustees of the Maine Public Employees Retirement System to reduce the payment in fiscal 2008-09 toward the unfunded actuarial liability of the state employee and teacher retirement plan by an amount sufficient to fund the one-time unfunded actuarial liability and the fiscal year 2009-10 normal costs if that action is consistent with sound actuarial practice.

Since this provision is contingent upon the Board of Trustees determining that the reduction in the required unfunded liability payment in fiscal year 2008-09 is actuarially sound, this fiscal note assumes that this measure will not be implemented. This assumption is based on a March 5, 2009 letter to the Board of Trustees from Gene Kalwarski, FSA, a consulting actuary with Cheiron stating that they "no longer believe that any deflection of otherwise budgeted State contributions towards funding of the lost "cliff" benefits would be actuarially sound."

Finally while the bill requires the development of the unified pension and benefit plan within existing resources, the Maine Public Employees Retirement System and the State Employee Health Benefit Program would incur additional costs in fiscal year 2009-10 associated with assisting in the design of the unified pension and benefit plan, including contracting for actuarial and legal services. The impact of absorbing these additional costs on the current programs and operations of these entities cannot be determined at this time.