

# MAINE STATE LEGISLATURE

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# 128th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2017

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Legislative Document

No. 1045

S.P. 347

In Senate, March 14, 2017

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### **An Act To Create More Transparency in the Setting of Normal Teacher Retirement Costs**

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

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST  
Secretary of the Senate

Presented by Senator KATZ of Kennebec.  
Cosponsored by Representative KORNFIELD of Bangor and  
Senators: LANGLEY of Hancock, MAKER of Washington, Representatives: FARNSWORTH  
of Portland, HUBBELL of Bar Harbor, STEARNS of Guilford.

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

2 **Sec. 1. 5 MRSA §17154, sub-§6**, as amended by PL 2013, c. 368, Pt. C, §1, is  
3 further amended to read:

4 **6. Payment of employer charges for teachers.** For teachers, percentage rates to be  
5 predetermined by the actuary and approved by the board must be based on the actuarial  
6 report required by subsection 12 and must be applied to the total earnable compensation  
7 of members covering the most recent school year preceding the preparation of the  
8 biennial budget.

9 A. The resulting amount must be appropriated and credited to the appropriate funds.

10 B. Notwithstanding this section, the employer retirement costs and administrative  
11 operating expenses related to the retirement programs applicable to those teachers  
12 whose funding is provided from federal grants or through federal reimbursement  
13 must be paid by local school systems from those federal funds.

14 C. Notwithstanding this section, the employer retirement costs and administrative  
15 operating expenses related to the retirement program applicable to those teachers who  
16 are permitted to continue to accrue service credit while on a one-year leave of  
17 absence and participating in the education of prospective teachers by teaching and  
18 supervising students enrolled in college-level teacher preparation programs in this  
19 State must be paid from funds provided by the college employing the teacher during  
20 that year.

21 D. Notwithstanding this section, the employer retirement costs and administrative  
22 operating expenses related to the retirement program applicable to a teacher who is  
23 permitted to continue to accrue service credit while on a leave of absence and serving  
24 as President of the Maine Education Association must be paid from funds provided  
25 by the Maine Teachers Association. For purposes of this paragraph, in computing the  
26 employer cost, "earnable compensation" means the amount that the teacher would  
27 have earned if the teacher had remained in a teaching position.

28 E. Notwithstanding this section, the employer retirement costs and administrative  
29 operating expenses related to the retirement program applicable to those teachers  
30 whose funding is provided directly or through reimbursement from private or public  
31 grants must be paid by local school systems from those funds. "Public grants" does  
32 not include state or local funds provided to school administrative units under Title  
33 20-A, chapters 315 and 606-B.

34 F. Notwithstanding this section, effective September 1, 1993, the employer  
35 retirement costs and administrative operating expenses related to the retirement  
36 program, less the unfunded liability, that are applicable to a teacher who is permitted  
37 to continue to accrue service credit while on released time and serving as president of  
38 a recognized or certified collective bargaining agent representing teachers must be  
39 paid from funds provided by the collective bargaining agent or school administrative  
40 unit. For purposes of this paragraph, in computing the employer cost, "earnable  
41 compensation" means the amount that the teacher would have earned if the teacher  
42 had remained in a teaching position.

1 G. Notwithstanding this section, beginning in fiscal year 2013-14, the employer  
2 retirement costs that are applicable to the normal cost of retirement for a teacher must  
3 be included in the total allocation in accordance with Title 20-A, chapter 606-B for  
4 the school administrative unit that employs the teacher.

5 H. Notwithstanding this section, beginning in fiscal year 2013-14, the employer  
6 retirement costs and administrative operating expenses related to the retirement  
7 programs applicable to those teachers employed by school administrative units, as  
8 defined in Title 20-A, section 1, subsection 26, whose funding is provided from local  
9 and state funds must be paid by local school administrative units.

10 I. Notwithstanding this section, beginning in fiscal year 2013-14, the employer  
11 retirement costs and administrative operating expenses related to the retirement  
12 programs applicable to those teachers employed by private schools, as defined in  
13 Title 20-A, section 1, subsection 22, must be paid by the private school.

14 **Sec. 2. 5 MRSA §17154, sub-§12** is enacted to read:

15 **12. Actuarial report; normal teacher retirement costs.** By May 31, 2018, and  
16 biennially thereafter, the board shall prepare an actuarial report on the normal costs of  
17 teacher retirement. The report must include actuarial estimates of normal costs of teacher  
18 retirement for each of the next 10 state fiscal years and reasons for projected increases or  
19 decreases in those costs. The board shall present the report to a joint meeting of the joint  
20 standing committee of the Legislature having jurisdiction over education matters and the  
21 joint standing committee of the Legislature having jurisdiction over appropriations and  
22 financial affairs matters.

23 **Sec. 3. Legislative review of normal teacher retirement costs.** The Joint  
24 Standing Committee on Appropriations and Financial Affairs shall conduct a review of  
25 the historical and projected future actuarial value of normal teacher retirement costs. The  
26 Legislative Council, through the Office of Fiscal and Program Review, shall provide  
27 staffing services to the committee, including, but not limited to, conducting the analysis  
28 required in subsection 3. No later than December 6, 2017, the committee shall report the  
29 results of its review to the Second Regular Session of the 128th Legislature. The review  
30 must include, but is not limited to:

31 1. The history of increases in normal teacher retirement costs before and after these  
32 costs were shifted from the State to local school administrative units beginning in state  
33 fiscal year 2013-14, pursuant to the Maine Revised Statutes, Title 5, section 17154,  
34 subsection 6, paragraph G;

35 2. The reasons for changes in the actual or projected value of normal teacher  
36 retirement costs in state fiscal years 2014-15, 2015-16, 2016-17 and 2017-18; and

37 3. An analysis of how adding normal teacher retirement costs to the total allocation,  
38 in accordance with the Maine Revised Statutes, Title 20-A, chapter 606-B, has affected  
39 total education costs, including any effects on general purpose aid.

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## SUMMARY

2           This bill requires the Board of Trustees of the Maine Public Employees Retirement  
3 System to prepare and present an actuarial report on normal teacher retirement costs to a  
4 joint meeting of the joint standing committee of the Legislature having jurisdiction over  
5 education matters and the joint standing committee of the Legislature having jurisdiction  
6 over appropriations and financial affairs matters by May 31st of even-numbered years. It  
7 also requires the board to rely on this biennial actuarial report in its determination of the  
8 percentage of total teacher compensation required to fund normal teacher retirement  
9 costs.

10           This bill also requires the Joint Standing Committee on Appropriations and Financial  
11 Affairs to conduct a review of the historical and projected future actuarial value of normal  
12 teacher retirement costs. It requires the committee to report the results of its review to the  
13 Second Regular Session of the 128th Legislature.