

MAINE STATE LEGISLATURE

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HAND DELIVERED

January 21, 2015

Senator James Hamper, Senate Chair
Representative Margaret R. Rotundo, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

Dear Senator Hamper, Representative Rotundo and Members of the Appropriations Committee:

Please accept the Maine Public Employees Retirement System's (MainePERS) report prepared in response to 5 M.R.S. § 17760, sub-§6, requiring the System to submit information annually to the Legislature regarding military service credit purchase requests received from certain categories of members.

Under Maine Public Employees Retirement System (MainePERS) law, eligible members may purchase military service credit towards increasing their total service credit and thus, increasing their overall retirement benefit. There are two methodologies by which the cost to purchase military service credit is calculated. Under one methodology, the member is required to pay only the member contributions related to the time being purchased. The remainder of the cost, that is, the difference between the cost the member must pay and the full actuarial cost of the additional service credit, is added to the liabilities of the Plan. This is commonly referred to as paying a "subsidized rate". Under the second methodology, the member pays the full actuarial cost associated with the additional service credit. The purchase of military service credit by a member under this alternative results in no costs to the Plan.

In accordance with 5 M.R.S.A., §17760, sub-§3.A (3), recipients of specific military awards and medals may purchase military service credit to be used toward a retirement benefit at a subsidized cost only if the retirement system has received an appropriation in the amount of the difference between the actuarial cost of that member's military service credit and the subsidized amount that would be paid by the member under 5 M.R.S.A. §17713, sub-§2.

Title 5 M.R.S.A. §17760, sub-§6.A requires the retirement system to report the following information annually to the Legislature:

- (1) The amount, if any, in the account maintained for the purposes of this subsection;
- (2) The cost to subsidize the purchase of military service credit under this subsection for members who applied and were determined eligible in the calendar year immediately preceding the report; and
- (3) The cost to subsidize the purchase of military service credit under this subsection for members who applied and were determined eligible in each of the calendar years before the immediately preceding calendar year for which full appropriations were not made.

The following chart provides information regarding the number of requests and associated costs for those members who have been found eligible to purchase military service credit, contingent upon the required appropriation. This cost is the amount required if payment is made this fiscal year.

Calendar Year	Number of Requests	Subsidy Cost
2014	0	.00
2013	1	\$ 50,166.37
2012	1	\$ 72,710.55
2011	0	.00
2010	0	.00
2009	0	.00
2008	0	.00
2007	0	.00
2006	0	.00
2005	1	\$ 121,893.19
2004	2	\$ 98,982.64
Totals	5	\$ 343,752.75
Account Balance		.00
Total Subsidy Cost		\$ 343,752.75

In accordance with 5 M.R.S.A. §17760, sub-§6.C, when sufficient funds have been appropriated to subsidize the purchase of military service credit for all members who applied and were found to be eligible in a particular calendar year, the retirement

system shall allow that group of members to make purchases at the subsidized rate. Appropriated funds must be applied to the earliest calendar year for which members remain who are eligible but have not yet been able to make purchases. Accordingly, any monies that are appropriated to subsidize the purchase of military service credit under this statute will be allocated first to those found eligible in calendar year 2004, with any remaining funds then being allocated to those found eligible in each subsequent calendar year.

Title 5 M.R.S.A. §17760, sub-§6.B authorizes the joint standing committee of the Legislature having jurisdiction over retirement matters to report out legislation appropriating funds for all or a part of the costs set forth in this report.

Please let us know if you have any questions about this report.

Sincerely,



Sandra J. Matheson
Executive Director

cc: John Milazzo, General Counsel and Chief Deputy Executive Director
Kathy J. Morin, Manager, Actuarial and Legislative Affairs
Rachel Tremblay, Office of Fiscal and Program Review