

**127th MAINE LEGISLATURE****LD 1032****LR 434(02)****An Act To Implement the Combination Defined Benefit and Defined Contribution Retirement Plan Described in a Report Submitted to the Joint Standing Committee on Appropriations and Financial Affairs in March 2012****Fiscal Note for Bill as Amended by Committee Amendment " "****Committee: Appropriations and Financial Affairs****Fiscal Note Required: Yes****Fiscal Note**

Future biennium cost increase - All funds

Future biennium cost increase - Local School Administrative Units

Fiscal Detail and Notes

Requiring all state employees and teachers hired on or after July 1, 2019 to participate in the federal social security system and become members of the Adjustable Pension Plan Program, a defined contribution/defined benefit plan, as a condition of employment will result in increased costs to the State and to School Administrative Units (SAU's) beginning in fiscal year 2019-20. As updated cost projections are not available, this fiscal note utilizes cost estimates included in the March 2012 New Pension Plan Design and Implementation Plan report of the working group established by the 125th Legislature pursuant to Public Law 2011, c. 380, Part U and presents them as a proxy for costs during the first four years of implementation of the new plan. These estimates were calculated based on the 2011 Actuarial Valuation for the State Employee and Teacher Retirement Program, adjusted for the plan changes made pursuant to PL 2011, c. 380, and projects the total employer cost of closing the State/Teacher Plan to new entrants and enrolling new state employees and educators hired on or after July 1, 2015. The table below presents the estimated incremental costs (savings) of closing the State/Teacher Retirement Plan to new entrants and implementing the new plan, including participation in Social Security.

Implementation of Adjustable Pension Plan Program (in millions \$)

	(Year 1)	(Year 2)	(Year 3)	(Year 4)
Closing State/Teacher Plan - Costs (Savings)	\$ 46	\$ 31	\$ 17	\$ 3
New Plan (Social Security/DB/DC) - Costs (Savings)	\$ 10	\$ 27	\$ 41	\$ 55
Total Costs (Savings)	\$ 56	\$ 58	\$ 58	\$ 58
Allocation of Employer Costs (Savings)				
State:				
Normal Cost - State Employees	\$ -	\$ (3)	\$ (5)	\$ (6)
Unfunded Actuarial Liability (UAL) - State Employees	\$ 17	\$ 14	\$ 10	\$ 7
New Plan (Social Security/DB/DC) - State Employees	\$ 3	\$ 9	\$ 14	\$ 18
Unfunded Actuarial Liability (UAL) - Teachers	\$ 29	\$ 24	\$ 19	\$ 14
Total Costs (Savings) - State	\$ 49	\$ 44	\$ 38	\$ 33

	(Year 1)	(Year 2)	(Year 3)	(Year 4)
School Administrative Units (SAU's)				
Normal Cost - Teachers	\$ -	\$ (4)	\$ (7)	\$ (11)
New Plan (Social Security/DB/DC) - Teachers	\$ 7	\$ 18	\$ 28	\$ 37
Total Costs (Savings) - SAU's	\$ 7	\$ 14	\$ 21	\$ 26
State/Local Contribution to K-12 Public Education				
State Share @ 55%	\$ 4	\$ 8	\$ 12	\$ 14
Local Share @ 45%	\$ 3	\$ 6	\$ 9	\$ 12
Total Costs (Savings)	\$ 7	\$ 14	\$ 21	\$ 26
Summary:				
Total Costs (Savings) - State	\$ 53	\$ 52	\$ 50	\$ 47
Total Costs (Savings) - SAU's	\$ 3	\$ 6	\$ 9	\$ 12
Total Costs (Savings)	\$ 56	\$ 58	\$ 59	\$ 59

Note: Totals may differ due to rounding variances.