



130th MAINE LEGISLATURE

LD 956

LR 907(01)

An Act To Amend the Eligibility Criteria for Creditable Service in the Armed Forces of the United States under the State Retirement System

Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Sen. Lawrence of York

Committee: Labor and Housing

Fiscal Note Required: Yes

Preliminary Fiscal Impact Statement

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
Net Cost (Savings)				
General Fund	\$4,900,000	\$0	\$0	\$0
Appropriations/Allocations				
General Fund	\$4,900,000	\$0	\$0	\$0

Fiscal Detail and Notes

Expanding the periods of conflict in which members of the State Employee and Teacher Retirement Plan who served in the armed forces during those periods of conflicts can purchase service credit at a subsidizable rate will increase the unfunded actuarial liability (UAL) of the Maine Public Employees Retirement System (MainePERS). Pursuant to the Constitution of Maine, Article IX, Section 18-A, unfunded liabilities may not be created except those that result from experience losses.

Because the number of members who have served in the expanded periods of conflict and how many of those eligible members would choose to purchase the additional service credits are not known, MainePERS could not determine the actual cost of this provision. However, on average, MainePERS receives approximately 7 inquiries per year from members in the State Employee and Teacher Retirement Plan who, had this provision been in place, would have been eligible to purchase the service credits at the subsidized rate. The subsidized portion of the total cost for the additional service credits for those members that requested estimates range from \$60,000 to \$80,000 per member. Assuming 7 members purchase service credits each year and that the members are within 10 to 15 years of retirement age, the total cost of this provision could range from \$4.9 million to \$7.4 million, which will need to be funded immediately in order to avoid the creation of an unfunded actuarial liability. MainePERS will require a one-time General Fund appropriation of \$4,900,000 to fund the UAL at the lower estimated cost. However, additional funding may need to be provided immediately if the actual cost of this provision is greater than the funding provided.