MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

CHIEF EXECUTIVE OFFICER
Dr. Rebecca M. Wyke

DATE: May 16, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Director, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 197 – An Act to Address Employee Retention at the Maine State Police Crime Laboratory and the Computer Crimes Unit in the Department of Public Safety

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Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 197. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a "regular plan" or a "special plan." The majority of state employees are covered by the regular plan, which permits retirement after twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Because of the more favorable provisions of the special plans, they are more expensive to fund.

L.D. 197 proposes to change the retirement plan by which certain employees in the Crime Laboratory and the Computer Crimes Unit are covered effective August 1, 2024. Depending upon the member plan election made in 2021 pursuant to Public Law 2021, chapter 474, employees in these positions are currently covered either by the 1998 Special Plan or the regular plan for State employees. L.D. 197 would move all covered employees into a special plan that provides for retirement after completing 25 years of service, regardless of age.

This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under L.D. 197 because covered employees would be able to retire earlier and with a higher benefit, and therefore would receive benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

We estimate the cost for the plan change to be approximately $1.8 million in increased UAL. There would also be an increase to the ongoing employer normal costs for the employees covered by this bill. The member contribution rate would increase for covered individuals currently in the regular plan.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.