

DATE: February 12, 2025

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

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

SUBJECT: Testimony on L.D. 240 – An Act to Create Consistency in Retirement Service Benefits
Deferral Under the Maine Public Employees Retirement System

Good morning, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor. 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. 240. We are here to provide information and offer any assistance the Committee might need regarding this bill.

MainePERS administers defined benefit plans for State employees and teachers (State/Teacher Plan), legislators, judges, and employees of participating local districts (PLDs), which are entities, typically governmental or quasi-governmental, that are permitted to enter into an agreement to include employees in retirement plans administered by MainePERS. The PLDs participate in the Consolidated Retirement Plan (PLD Plan) for PLDs, which is funded through employer and member contributions. This plan is separate from the plans sponsored by the State, which are funded by employer contributions paid by the State and local school units and member contributions. The State does not contribute to the funding of the PLD Plan.

Public Law Chapter 208 was passed in the 131st Legislature. This new law permits retirees from the State/Teacher Plan for whom a portion of their State/Teacher Plan benefit is subject to an early retirement reduction, to defer the receipt of that portion of benefit until normal retirement age, at which time the reduction would no longer apply. The reduction reflects that benefits will be paid to the retiree over a longer period of time. In essence, lower benefits paid over a longer period of time equate to a higher, unreduced benefit, being paid over a fewer number of years. This change did not apply to benefits under the PLD Plan.

There is no portability of service between the State-sponsored Plans and the PLD Plan. Typically, benefits for service earned in different plans is calculated under the plan in which it was earned, which could result in the application of an early retirement reduction. This means that for a member who moves from the PLD Plan to the State/Teacher Plan, the PLD service remains separate for benefit calculation purposes. If the member becomes eligible to retire from the State/Teacher Plan prior to reaching the normal retirement age associated with the PLD service, the portion of the benefit that is based on the PLD service is subject to any early retirement reduction associated with that plan.

As drafted, L.D. 240 would afford members in the above scenario the same treatment given to the members impacted by Chapter 208. In essence, this would permit a member covered under the State/Teacher Plan with previous service in the PLD Plan to retire upon becoming eligible to do so

under the terms of their State/Teacher Plan and to defer the receipt of the PLD benefit that would otherwise be subject to an early retirement reduction.

There is no fiscal note associated with this bill as drafted. That is because the retiree is simply electing to defer the receipt of a benefit to which they are entitled, and for which funding has already been provided to the 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.