

CHIEF EXECUTIVE OFFICER Dr. Rebecca M. Wyke BOARD OF TRUSTEES Brian H. Noyes, Chair Richard T. Metivier, Vice Chair John S. Beliveau Shirim L. Blaisdell Nathan Burnett Kirk Duplessis John H. Kimball Joseph C. Perry, State Treasurer, Ex-Officio

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. 137 – An Act to Expand the 1998 Special Retirement Plan to Include Employees Who Work for the Office of the Chief Medical Examiner

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. 137. 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. Included with this testimony is a chart that details the different plans and the groups covered by each.

Employees in the Office of Chief Medical Examiner are covered by the regular plan. L.D. 137 would move these employees into the 1998 Special Plan effective October 1, 2025, and would apply retroactively to include all covered service in the special plan. Under this plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10 year requirement.

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. 137 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).

MainePERS estimates the cost for the plan change to be approximately \$483,300 in increased UAL. There would also be an increase to the ongoing employer and member normal costs for the employees covered by this bill.

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

www.mainepers.org

LOCATION 139 Capitol Street, Augusta, ME 04330 LOCAL 207-512-3100 **FAX** 207-512-3101

MAILING ADDRESS P.O. Box 349, Augusta, ME 04332-0349 TOLL-FREE 1-800-451-9800 MAINE RELAY 711

	Regular Plan	1998 Special Plan	25 Year No-Age Special Plan	Fire Marshals	Closed Plans*	Legislators	Judges
Vember Count	State 11,251 Teacher 28,028	1,189	453	10	1	175	62
Sroups included	All State employees not covered by a special plan and Teachers	•Liquor Inspectors (eff. 7/1/1998) •Airplane pilots (eff. 7/1/1998) •Forest Rangers (eff. 7/1/1998) •Fed-funded BIA firefighters (eff. 7/1/1998) •Baxter St. Park Rangers (1/1/2000) •Fire Marshals/Inspectors (eff. 1/1/2000) •Department of Corrections (eff. 1/1/2000) •Capitol Police (eff. 7/1/2002) •Oil & Hazardous Waste Emergency Response employees (eff. 1/1/2002) •Emergency Communications Employees at Dept. of Public Safety (eff. 7/1/20) •BMV Detectives (eff. 7/1/20) •AG Detectives (eff. 7/1/20) *For most groups, service prior to effective dates is in the regular plan	Inland Fisheries and Wildlife Wardens and Marine Resources Officers hired after 8/31/84 State Police hired after 9/15/84 Crime Laboratory/Computer Crimes Unit Employees (eff. 8/1/2024)	State Fire Marshal Investigator State Fire Marshal Senior Investigator State Fire Marshal Sergeant Assistant State Fire Marshal- Investigations	Game Wardens hired before 9/1/1984	Legislators	Judges
Member Contribution Rate	7.65% 1.15% for those with employer- paid contributions	8.65% for the first 25 years of service, 7.65% thereafter 1.15% for those with employer-paid contributions	8.65% for the first 25 years of service, 7.65% thereafter 1.15% for those with employer- paid contributions	8.65% for the first 20 years of service, 7.65% thereafter 1.15% for those with employer-paid contributions	8.65% for the first 20 years of service, 7.65% thereafter 1.15% for those with employer-paid contributions		7.65%
Total Employer Rate for FY 25	State 4.84% NC <u>16.30%</u> UAL 21.14% TOTAL Teacher 4.47% NC <u>14.51%</u> UAL 18.98% TOTAL	5.33% NC <u>18.60%</u> UAL 23.93% TOTAL	5.55% NC <u>17.95%</u> UAL 23.50% TOTAL	11.97% NC 25.55% UAL 37.52% TOTAL	14.52% NC 29.65% UAL 44.17% TOTAL	5.74% NC (<u>5.74%)</u> UAL 0.0% TOTAL	12.21% NC (8.06%) UAL 4.15% TOTAL

MainePERS State-Sponsored Retirement Plans as of June 30, 2024

	Regular Plan	1998 Special Plan	25 Year No-Age Special Plan	Fire Marshals	Closed Plans*	Legislators	Judges
Normal Retirement Age	60/62/65	55	Any age at which member meets service requirement	Any age at which member meets service requirement	Any age at which member meets service requirement	60/62/65	60/62/65
Service Eligibility	25 years	10 years under the plan if at least age 55 <u>or</u> 25 years in a covered position	25 years of covered service	20 years of covered service	20 years of covered service	25 years	25 years
Accrual Rate	2%	2%	2%	2.5% for 20 years and 2% for additional years over 20	2.5% for 20 years and 2% for additional years over 20	2%	2% for service through 6/30/98 and 3% for service
							thereafter Benefits for judges appointed on or after 12/1/84 cannot exceed 70% of AFC
Early Retirement Reduction Factor	2.125% or 6% per year based on years of service on 7/1/93	2.125% or 6% per year based on years of service on 7/1/93 Reduction based on plan in which service was earned (i.e., regular or special)	N/A	N/A	N/A	2.125% or 6% per year based on years of service on 7/1/93	2.125% or 6% per year based on years of service on 7/1/93
	· · ·	For some groups, service earned before the plan effective date for the group is counted as special plan service and is not subject to an early reduction for retirement prior to age 55					. .

MainePERS State-Sponsored Retirement Plans as of June 30, 2024