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DATE: March 12, 2025

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. 579 - An Act to Include Certain Mental Health Workers Under

the 1998 Special Plan for Retirement

Good morning, 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. 579. 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.

All employees in the Department of Health and Human Services (DHHS) are covered by the regular plan. L.D. 579 would move certain employees, specifically direct care workers as defined in the bill and employees who provide crisis outreach and services in a community-based or residential setting 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. 579 because covered employees would be able to retire earlier and/or 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 have not yet estimated the costs associated with L.D. 579. The Committee considered similar proposals in the 131st Legislature in the form of LDs 1760 and 1761. The estimated increased liability at that time was \$8.4 million. There would also be increased normal costs and member contributions associated with this plan change. With guidance from the Committee, we will work with the department and the Office of Fiscal and Program Review to identify the individuals covered by this proposal and to determine the costs associated with changing the retirement plan coverage for this group of employees.

MainePERS has one technical note about the way L.D. 579 is drafted. Specifically, it is our understanding from prior discussions that the DHHS employees referenced in Section 4 of the bill are a subset of employees referenced in Section 3 of the bill. If that is the case, we think Section 4 could be removed from the bill without changing the groups that would be covered.

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