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Portland, Maine

May 13, 2025

Testimony in Support of L.D. 1872

An Act to Reinvest in the Pension Funds of the Maine Public Employees Retirement System

Good afternoon, Sen. Tipping, Rep. Roeder and to all the distinguished members of the Labor Committee. My name is Sue Hawes. I am from Portland. I am testifying in support of LD 1872. However, my testimony will focus on describing another potential source of revenue to fund the Retirement Improvement Fund created by the bill. Thank you for the opportunity to make the following suggestion.

My understanding is that every month millions of state and local taxpayer dollars are forfeited to MainePERS. This happens when former public employees withdraw from the System by requesting a **refund** of their employee contributions; the employer contributions are forfeited to the system.

Lest you think these are small monthly dollar amounts, consider the "Contribution Refund Average Amount and Total Amount Refunded" chart in each MainePERS monthly Board of Trustees packet. For example, below May 11, 2025, board meeting packet (PDF p. 188 of 197). The monthly chart does not report the employer contribution amount forfeited—it only reports the refunds of employee contributions. In the first ten months of Fiscal Year 2025, MePERS paid out \$23+million in employee contribution refunds. I believe the unacknowledged employer contributions to the retirement system are often much HIGHER than employee contributions. See Contribution Rates explanation below.

I am suggesting that language be added to the bill stating these state and local taxpayer dollars forfeited as employer contributions be credited to the Retirement Improvement Fund created by this bill. [Note a small percent calculated by the actuary should be set aside as the corresponding employer contributions for future employees who may return to public service and buy back years of service.]

Surely the taxpayers should get SOME credit for their millions in public employer contributions for pensions which will never be paid. I propose herein the monies could be credited to the proposed Retirement Improvement Fund.

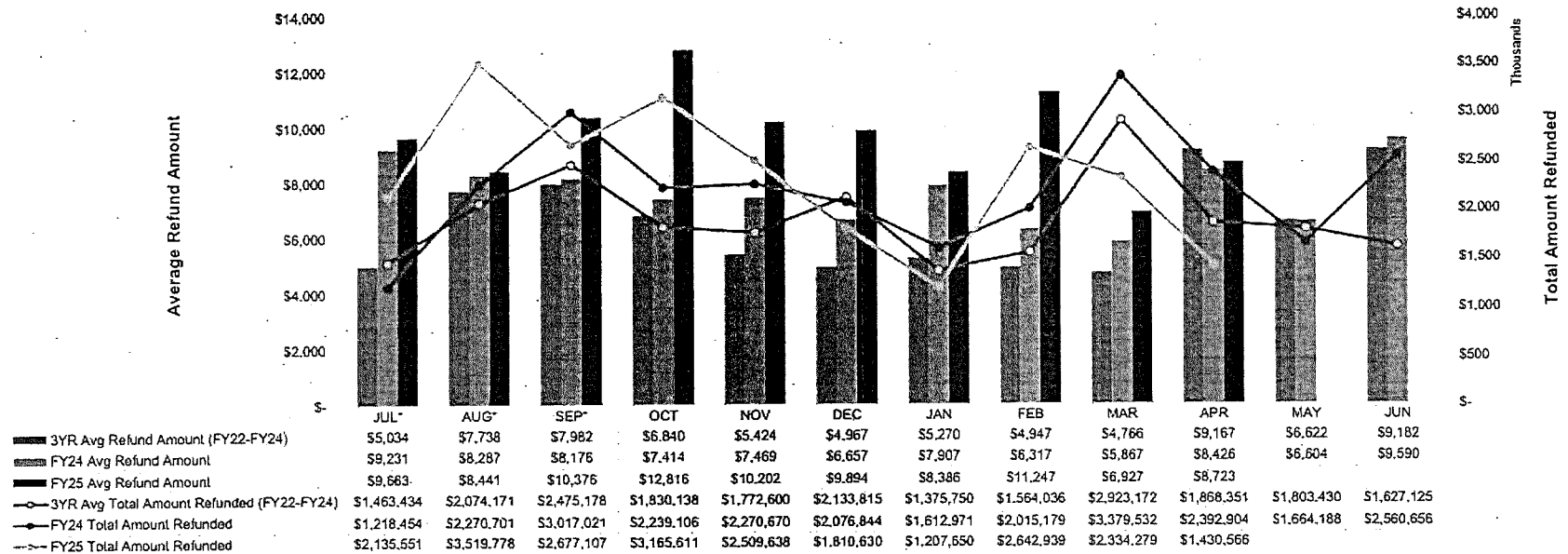
Thank you for your time and your work on this initiative. I am happy to try to answer any questions you may have.

APRIL 2025 BOARD OF TRUSTEES OPERATIONS – MEMBER SERVICES SUPPLEMENTAL NUMBERS

RETIREMENT SERVICES: (CONTINUED)

CONTRIBUTION REFUNDS: One hundred sixty-four (164) former members received a refund of their contributions in April. The average refund was \$8,723 as the result of an average of two (2) year service. The aggregate amount refunded was \$1,430,566. Note: Data for FY22 – July to April – was not captured so the average for those months only includes fiscal years 2023 and 2024.

Contribution Refund Average Amount and Total Amount Refunded



For more details on MePERS Contribution Rates, on pages 214-217 of the 2024 Annual Comprehensive Financial Report (ACFR) are current and historical contribution rates by plan: Employee Contribution rates p. 214, Employer Contribution Rates p 216.

Below is the explanation of MainePERS Contribution Rates from 2024 ACFR, July 1, 2023-June 30, 2024), released January 2025, pages 49-50 at <https://www.maineopers.org/wp-content/uploads/pdfs/annual-reports/ACFR-2024.pdf>

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or MainePERS' Board rule and depend on the terms of the plan under which a member is covered. Employers' contributions are determined by actuarial valuations.

Included in the Employers and Non-employer Contributing Entities Contributions reported in the statement of changes in fiduciary net position are contributions received from the State of Maine on behalf of state employees and teachers in the total amount of \$497.6 million and \$451.7 million, and for judges in the total amount of \$456 thousand and \$620 thousand, for the years ended June 30, 2024 and 2023, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2024 or 2023.

Employer normal cost retirement contribution rates as applied to State employee members' and teacher members' compensation are the actuarially determined rates. The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required UAAL payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual

rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in twelve equal monthly installments. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2024 and 2023 are as follows:

Contribution Rates ⁽¹⁾ (effective July 1 through June 30 of each fiscal year)		
	2024	2023
State:		
Employees ⁽²⁾	7.65 – 8.65%	7.65 – 8.65%
Employer ⁽¹⁾	18.26 – 44.02%	22.09 – 47.23%
Teachers:		
Employees	7.65%	7.65%
Employer	4.47%	3.84%
Non-employer entity	14.51%	14.29%
Judges:		
Employees	7.65%	7.65%
Employer	4.19%	6.95%
Legislative:		
Employees	7.65%	7.65%
Employer	0.00%	0.00%
Participating local districts:		
Employees ⁽²⁾	3.45 – 10.7%	3.35 – 9.7%
Employers ⁽¹⁾	5.3 – 14.8%	5.6 – 14.7%

(1) Employer Contribution Rates include normal cost and UAAL required payment, expressed as a percentage of payroll.

(2) Employee and Employer retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or, in the case of PLDs, on benefit plan options selected by a particular PLD. The contributions of withdrawn entities that do not have active employees but continue to have other liabilities are set in dollar amounts, not as rates.