

DATE: February 24, 2021

TO: Senator Joseph Rafferty, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 190 – An Act to Amend the Law Governing Retirement Benefit Reductions for Corrections Officers Currently Included in the 1998 Special Plan

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

MainePERS is neither for nor against L.D. 190. We are here to provide information and offer any assistance the Committee might need regarding this and other similar bills under consideration this session.

Included with this testimony is a table showing some of the key differences between regular and special plans. The table also shows the classifications of state employees that are currently included in a special plan. As can be seen by this table, the majority of state employees are covered by the regular plan, which requires 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.

Under the 1998 Special 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.

Benefits are calculated based upon the plan under which the service was earned. The result for those members with some service in a regular plan and some service in a special plan is a “split age reduction” such that the regular plan service is reduced for early retirement prior to 60, 62 or 65, and the special plan service is reduced for early retirement only if retirement is prior to age 55. Members with all or a high percentage of their service under the 1998 Special Plan are more greatly advantaged by that plan.

L.D. 190 would change the manner in which certain Department of Corrections employees are included in the 1998 Special Plan. Specifically, it would treat all service, whenever earned, as being earned in the 1998 Special Plan, and therefore no longer subject to the split age reduction.

This bill would have a fiscal impact in that it would require immediate funding of the increased liabilities created by permitting past service of the covered employees to be included in the special plan, in compliance with the State Constitution. During the 129th Legislature, the Committee considered L.D. 1842, which included the same proposal as L.D. 190. At that time, MainePERS estimated the cost for the plan change to be approximately \$472,000. MainePERS will work with the Department and the Office of Fiscal and Program Review to confirm the individuals covered by this proposal and to provide an updated estimate of the costs associated with amending the retirement plan coverage for this group of employees.

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