MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

EXECUTIVE DIRECTOR
Sandra J. Matheson

DATE: March 8, 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. 567 – An Act to Amend the Penalty for Early Retirement for Certain Members of the Maine Public Employees Retirement System

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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. 567. We are here to provide information and offer any assistance the Committee might need regarding this bill.

MainePERS administers State-sponsored defined benefit plans including those for state employees and teachers. The majority of state employees and all teacher members 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. A member who reaches twenty-five years of service prior to reaching normal retirement age may retire with a reduction, 6% for most current state employees and teachers, for each year below normal retirement age. 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.

L.D. 567 would permit certain state employees who retired between July 1, 2011 and January 1, 2012 and teachers who retired between July 1, 2011 and July 1, 2012 to have their benefits recalculated based on an early retirement reduction of 2.25% per year, rather than the 6% reduction. This recalculation would be effective October 1, 2021.

L.D. 567 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. 567 because retirees would be receiving benefits higher than currently accounted for and funded, creating a new unfunded actuarial liability (UAL). During the 129th Legislature, the Committee considered L.D. 1184, which included the same proposal as L.D. 567. At that time, MainePERS identified approximately 115 retirees who would be impacted by the proposal and estimated the cost for the plan change to be approximately $5.8 million for a prospective

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recalculation of benefits for that group. We will work our actuary to update these costs for L.D. 567 if that information would be helpful to the Committee.

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