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Amend the amendment by striking out everything after the substitute title and before the summary and inserting the following:

‘Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

‘**Sec. 1. 5 MRSA §17852, sub-§3-B** is enacted to read:

3-B. Teachers with fewer than 10 years of creditable service on July 1, 1993.

Notwithstanding subsection 3-A, for a teacher who was employed as a teacher and who was a member on July 1, 1993 and did not have 10 years of creditable service, the amount of the service retirement benefit for members qualified under section 17851, subsection 3 is computed in accordance with subsection 1, except that the benefit is reduced by 3% for each year that the member's age precedes 62 years of age.

Sec. 2. Teacher members receiving service retirement benefits on effective date of Act. Teacher members of the state employee and teacher retirement system governed by the Maine Revised Statutes, Title 5, chapter 423 receiving service retirement benefits on the effective date of this Act who would receive an increased service retirement benefit if their benefit had been calculated using the 3% reduction factor provided in this Act must receive such an increased benefit retroactive to their effective date of retirement.

Sec. 3. Teacher members who retire on or after the effective date of this Act. As teacher members of the state employee and teacher retirement system governed by the Maine Revised Statutes, Title 5, chapter 423 retire on or after the effective date of this Act, their benefits based on service earned on or after the effective date of this Act and their benefits based on service earned prior to the effective date of this Act must be calculated using the 3% reduction factor specified in Title 5, section 17852, subsection 3-B.

Sec. 4. Funding benefits under this Act. This section provides funding for the benefits provided under this Act.

1. For purposes of this section, the following terms have the following meanings:

A. "Cost of this Act" means the total of:

- (1) All past service liabilities created by the benefits provided in this Act;
- (2) The normal cost payments for fiscal year 2008-09 associated with the benefits provided in this Act; and
- (3) The fiscal year 2008-09 unfunded liability supplemental payment.

B. "Fiscal year 2008-09 unfunded liability supplemental payment" means payment of an amount toward the unfunded liability that equals the first year's payment of a 20-year amortization of the amount of the fiscal year 2007-08 unfunded liability payment that is deferred in order to pay the cost of this Act.

C. "Unfunded liability" means the unfunded actuarial liability of the Maine Public Employees Retirement System attributable to teachers under the Constitution of Maine, Article IX, Section 18-B.

D. "Unfunded liability payment" means the amount appropriated or allocated by the Legislature for the Maine Public Employees Retirement System as the employer contribution amount paid toward the unfunded liability.

2. Notwithstanding Title 5, section 17160, the employer contribution amount paid toward the unfunded liability may be less for fiscal year 2007-08 than the amount paid for that purpose during fiscal year 2006-07, as long as the Board of Trustees of the Maine Public Employees Retirement System takes an action, consistent with sound actuarial practice, to reduce the required unfunded liability payment in fiscal year 2007-08.

A. If, on or before the effective date of this Act, the Board of Trustees of the Maine Public Employees Retirement System takes an action to reduce the required unfunded liability payment for fiscal year 2007-08 by an amount that leaves a balance sufficient to fund the cost of this Act, that balance is committed by this Act to fund the cost of this Act.

B. If, on or before the effective date of this Act, the Board of Trustees of the Maine Public Employees Retirement System does not take an action that reduces the required unfunded liability payment for fiscal year 2007-08 by an amount sufficient to fund the cost of this Act, the entire amount of the fiscal year 2007-08 unfunded liability payment must be applied toward the unfunded liability.

3. Notwithstanding subsection 2, the entire amount of the fiscal year 2007-08 unfunded liability payment:

A. Must be paid over to the Maine Public Employees Retirement System; and

B. Is deemed the employer contribution amount paid toward the unfunded liability for fiscal year 2007-08 for the sole purpose of calculating the required unfunded liability payment for fiscal year 2008-09 and thereafter pursuant to Title 5, section 17160.

4. Beginning in fiscal year 2009-10, the increase in the normal cost resulting from the benefits provided under this Act and any increase in unfunded liability payments resulting from the application of the 2007-08 unfunded liability payment to fund the cost of this Act must be appropriated or allocated by the Legislature from the General Fund or other appropriate funds in accordance with law.

Sec. 5. Contingent effective date. Since the Constitution of Maine, Article IX, Section 18-A requires the Maine Public Employees Retirement System to be funded annually on an actuarially sound basis and prohibits the creation of unfunded liabilities except those resulting from experience losses, sections 1 to 3 take effect only if the Board of Trustees of the Maine Public Employees Retirement System, pursuant to section 4, takes an action to reduce the required unfunded liability payment for fiscal year 2007-08. Within 10 days of the effective date of this Act, the Board of Trustees of the Maine Public Employees Retirement System shall notify the Secretary of the Senate, the Clerk of the House of Representatives and the Revisor of Statutes whether, pursuant to section 4, it took an action on or before the effective date of this Act to reduce the required unfunded liability payment for fiscal year 2007-08.

SUMMARY

This amendment does the following:

1. It reduces the early retirement reduction factor from 6% to 3% for teachers employed on July 1, 1993 who did not have 10 years of creditable service. This corrects what is known as the "cliff" provision;
2. It allows the Board of Trustees of the Maine Public Employees Retirement System to reduce the payment in fiscal year 2007-08 toward the unfunded actuarial liability of the teacher retirement program and, if such a reduction is made, to apply the balance of the amount appropriated for that purpose to fund the past service liabilities created by the benefits provided under the amended bill, the increase in normal cost in fiscal year 2008-09 associated with the benefits provided under the amended bill and any increased unfunded liability payments required in fiscal year 2008-09 resulting from the reduced unfunded liability contribution in fiscal year 2007-08; and
3. It provides that the substantive changes to the state employee and teacher retirement system accomplished by this legislation take effect only if the Board of Trustees of the Maine Public Employees Retirement System determine that the reduction in the required unfunded liability payment in fiscal year 2007-08 is consistent with sound actuarial practice.