



# 127th MAINE LEGISLATURE

LD 1515

LR 2412(01)

## An Act To Update the Laws Governing the Maine Public Employees Retirement System as They Relate to Wartime Veterans

### Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Rep. Ward of Dedham

Committee: Appropriations and Financial Affairs

Fiscal Note Required: Yes

---

---

### Preliminary Fiscal Impact Statement

Current biennium cost increase - General Fund

#### Fiscal Detail and Notes

This legislation proposes to expand the periods of conflict in which members who served in the armed forces during the time in which these conflicts occurred may purchase service credits for their Maine Public Employees Retirement System (MainePERS) benefit at a rate subsidized by the State. This legislation also proposes to add an end date of April 6, 1991 to the Persian Gulf War. Current law does not specify an end date for the Persian Gulf War. As a result, eligible members of MainePERS who have served in the armed forces since the Persian Gulf War began are already able to purchase military service credit at the subsidized rate. Therefore, of the additional periods of conflict listed in this bill, only members that served in the armed forces during operations in Lebanon and Operation Urgent Fury (Granada) are currently unable to purchase service credit at the more favorable rate. This would change if the proposed end date of April 6, 1991 were added to the Persian Gulf War and would increase the cost of this bill significantly.

For this preliminary fiscal impact statement MainePERS conducted a review of the past 5 year history of military service requests and costs from members in the expanded periods of conflict as presented in this bill, but limited the review to the requests made for military service during the Lebanon and Operation Urgent Fury (Granada) periods. During that timeframe, MainePERS received, on average, 7 requests per year from members in the State/Teacher Plan who, had this provision been in effect, would have been eligible to purchase service credits at the subsidized rate at an average cost of between \$60,000 and \$80,000 per member, or between \$420,000 and \$560,000 per year. Assuming that the majority of members who would qualify for this subsidized rate will be at or near retirement age over the next 10 to 15 years, and the average annual cost is \$500,000, the total cost of this provision is estimated to be between \$5.0 million and \$7.5 million.

Because this expansion would increase the unfunded liability of MainePERS, a one-time General Fund appropriation and Highway Fund and other funds allocations will be required to fund the full actuarial value of the increase to the unfunded liability of this provision. The full cost of this measure can not be determined as the number of eligible members that would purchase service credits under the more favorable rate is unknown.

Finally, this bill amends the military service purchase provision for members in the Participating Local District (PLD) Retirement Program to expand the periods of conflict in which eligible members may purchase service credits for their retirement benefit at a subsidized rate. The additional cost to PLD's associated with this provision can not be determined at this time and will depend on actual experience and will be factored into the employer's contribution rates over time.