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Final Report of the Commission to Address the Unfunded Liability of the MSRS and the Equity of Retirement Benefits for State Employees and Teachers

Maine State Legislature

Office of Policy and Legal Analysis

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**STATE OF MAINE
120TH LEGISLATURE
SECOND REGULAR SESSION**

**Final Report
of the
TASK FORCE TO STUDY METHODS OF
ADDRESSING INEQUITIES IN THE
RETIREMENT BENEFITS OF STATE
EMPLOYEES AND TEACHERS**

December, 2002

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Executive Summary

The Task Force to Study Methods of Addressing Inequities in the Retirement Benefits of State Employees and Teachers was created by Public Law 2001, chapter 707. The Task Force is the most recent of several efforts to study and alleviate the inequity in retirement benefits created by a 1993 state budget-balancing law.

That 1993 law increased the normal retirement age, increased early retirement penalties and delayed the post-retirement cost-of-living adjustment for state employees, teachers and other educational personnel covered by the state employee and teacher plan of the state retirement system, but only for those employees who had fewer than 10 years of service credit as of July 1, 1993. Employees who are affected by these benefit changes have been referred to as “cliff” employees.

The Task Force consisted of 3 legislators, a member appointed by each of 3 labor unions representing state employees and teachers, a representative of the Department of Administrative and Financial Services and a non-voting representative of the Maine State Retirement System.

The Task Force was charged with reviewing changes made in the retirement laws in 1993, understanding the impact of those changes on employees affected by the benefit changes, and searching for ways to bring greater equity to retirement benefits for those whose benefits were reduced and those whose benefits were maintained.

The retirement benefits of cliff employees differ from those of pre-cliff employees in the following ways:

- Normal retirement age for cliff employees is 62 (compared to 60 for most pre-cliff employees);
- The benefit reduction for retiring before normal retirement age is 6% per year, compared to an actuarially-determined amount that averages approximately 2^{1/4}% per year for pre-cliff employees; and
- Retirement benefits paid to cliff employees are not adjusted for increases in the cost of living until 12 months after they reach normal retirement age, compared to 12 months after retirement for pre-cliff employees.

Since passage of the law in 1993, attempts have been made to address the inequities, but the cost and the Constitutional mandate to immediately fund any liability for past service that arises from a benefit restoration have made it difficult to restore full benefits to the cliff employees. The cost of restoring benefits was estimated for fiscal year 2002 to be \$228.2 million in an upfront payment of liability for service credits earned in the past and an increase in the yearly cost of benefits of approximately 1.55% of payroll.

Following a review of options considered during past studies of the issue, the Task Force concluded that, despite the cost, the inequity between benefits for cliff and pre-cliff employees must be eliminated. Therefore:

The Task Force recommends that the inequity in retirement benefits created by Public Law 1993, chapter 401, Part L be addressed by repealing the reductions that were applicable only to state employees, teachers and other educational personnel who did not have 10 years of service credit as of July 1, 1993.

The additional funds needed for this change should be provided by extending the period within which the state pays off the existing unfunded actuarial liability to the term permitted by the Maine Constitution and using the difference between the shorter payoff period and the longer period to fund both the unfunded liability and the normal cost (on-going) increases attributable to the benefit restoration during the pay-down period.

The rationale for the recommendation is as follows:

- It's bad policy, bad for employee morale and bad for recruitment of excellent employees to have 2 employees performing the same work but having significantly different retirement benefit packages and to force employees to continue working simply to avoid substantial penalties in retirement benefits.
- The increase in costs will not worsen the State's current budget problems because they will be paid for by lengthening the payoff period for unfunded liability that the State is already required to pay off.
- Without this change, a pre-cliff employee retiring at age 59 receives a benefit reduced by about 2%, while a cliff employee retiring at the same age has a benefit reduced by 18% and a 3-year delay in cost-of-living adjustments. At age 60, the pre-cliff employee has a full benefit, but the cliff employee still has a 12% reduced benefit and a 2-year delay in the COLA.

The full report of the Task Force provides further details of the mechanism by which the benefit restoration would occur.

I. Introduction

The Task Force to Study Methods of Addressing Inequities in the Retirement Benefits of State Employees and Teachers was created by Public Law 2001, chapter 707. The Task Force is the most recent of several efforts to study and alleviate the inequity in retirement benefits created by a 1993 state budget-balancing law.

That 1993 law increased the normal retirement age, increased early retirement penalties and delayed the post-retirement cost-of-living adjustment for state employees, teachers and other educational personnel covered by the state employee and teacher plan of the state retirement system,¹ but only for those employees who had fewer than 10 years of service credit as of July 1, 1993.²

The Task Force consisted of 3 legislators, a member appointed by each of 3 labor unions representing state employees and teachers, a representative of the Department of Administrative and Financial Services and a non-voting representative of the Maine State Retirement System.

The Task Force was charged with reviewing changes made in the retirement laws in 1993, understanding the impact of those changes on employees affected by these benefit changes, and searching for ways to bring greater equity to retirement benefits for those whose benefits were reduced and those whose benefits were maintained.

Appointments to the Task Force were completed in late October of 2002 and the Task Force met for the first time on November 8th. At its first meeting, members received a staff briefing on the history of the issue and past attempts to address the inequity, and discussed how to proceed with the study. The Task Force met again on November 15th for further discussion of possible recommendations and completed its work at a meeting on December 9th.

¹ While the benefits of legislators and judges were also affected by these changes, these groups are covered under distinct retirement plans, and the Task Force work did not extend to these plans.

² The law also made other changes to the retirement law, but those changes applied to all covered employees, regardless of years of service. Those changes included an increase in the employee contribution rate to the retirement fund and changes in provisions relating to computation of service credits and cost of living adjustments.

II. Background

A. The Maine State Retirement System: Structure

The Maine State Retirement System was created by state law in 1942. Most state employees of the executive, legislative and judicial departments are required to be members of the system, as are most teachers and other certified, licensed educational professionals employed by local school administrative units.

The state retirement plan is a “defined benefit” plan, meaning that a retiree who meets all the eligibility criteria is entitled to a monthly benefit of a certain amount.³ The benefit is determined at the time of retirement, based on 3 factors: (1) the number of years of service; (2) the accrual rate applicable to those years of service (currently the rate is 2% per year); and (3) the average annual compensation earned by the employee determined by averaging the 3 highest salary years. Employees covered by the state retirement system do not earn credit toward Social Security while they are employed and covered by the retirement plan.

The following table shows the number of state employees and teachers covered by the state retirement system, as well as the number of state employees and teachers receiving retirement benefits from the system, as of June 30, 2002.

**Maine State Retirement System
Comprehensive Membership Count as of June 30, 2002**

State Employees		
<u>Active</u> 14,935	<u>Inactive</u> 15,606	<u>Retired</u> 9,433
Teachers		
<u>Active</u> 34,629	<u>Inactive</u> 46,281	<u>Retired</u> 10,759

³ A defined benefit plan is different from a “defined contribution” plan, such as a 401(k) plan. In a defined contribution plan, the employer or employee (or both) makes a specific “defined” contribution to the plan while the person is employed and the retiree is entitled to receive the contributions and whatever investment income has been earned on those contributions. In contrast to a defined benefit plan, like the Maine state retirement plan or Social Security, there is no set benefit from a defined contribution plan.

B. The Maine State Retirement System: Funding

Funding a defined benefit plan is complicated. Ideally, for each employee, contributions would be made each year so that at the time of retirement, enough funds have been set aside to pay the required retirement benefit to that person for life, without making additional contributions. The amount that should be set aside each year would be based on factors such as the age of the employee, the salary, the likely years of service at the time of retirement, and the likely investment earnings on the contribution.

The Maine State Retirement System, like all defined benefit plans, does not make individual calculations to set aside funds for each employee. Instead, the System uses an actuary to determine the necessary aggregate contribution each year by looking at factors such as the value of assets currently held by the retirement fund, the number and age of employees, the salary level and probable salary increases and the likely earnings on investment of the funds. The number is recalculated each biennium and converted into a percentage figure that, when applied to state payroll, is expected to produce the necessary aggregate contribution.

The amount of contribution needed to fund benefits that are likely to be payable as a result of service credits earned by employees in the current year is referred to as the “normal cost” of the system. The “normal cost” is paid through contributions from employees and the State (the State pays the normal cost of teacher retirement, although the local school administrative units are the employers).

The normal cost for fiscal years 2004 and 2005, as determined by the June 30, 2002 valuation is 6.39% of salary for state employees and 6.04% for teachers.

In addition to the “normal cost” of benefits being earned in the current fiscal year, the State must make a payment toward the “unfunded actuarial liability” of the system. The unfunded actuarial liability, or “UAL,” arose principally because sufficient funds were not appropriated for many years prior to 1995 to fund the benefits attributable to service performed in those earlier years. Thus, the retirement system is expected to pay out more in benefits in the future than can be funded with only normal cost contributions.

Maine law requires that the UAL that existed as of June 30, 1996 be paid off by June 30, 2019.⁴ On the basis of that statutory requirement, the retirement system calculates the appropriation that will be needed each year in order to meet the statutory deadline. Based on the most recent actuarial calculation indicating a total UAL of \$2.6 billion, as of June 30, 2002, the following amortization schedule requires appropriation of the following amounts from the General Fund, Highway Fund and other accounts from which staff salaries are paid:

⁴ The Maine Constitution requires payoff by June 30, 2028. The Constitutional amendment is discussed in section E.

Amortization Schedule for the Unfunded Actuarial Liability (UAL)

Based on the June 30, 2002 Valuation⁵

Fiscal Year 20__	Remaining Unfunded Liability	Required Appropriation	Fiscal Year 20__	Remaining Unfunded Liability	Required Appropriation
02/03	\$2,592,677,039	\$146,601,771	11/12	\$2,221,109,203	\$311,766,366
03/04	2,674,268,440	203,146,612	12/13	2,073,801,885	328,913,516
04/05	2,647,282,853	214,319,675	13/14	1,896,835,199	347,003,759
05/06	2,635,651,231	226,107,257	14/15	1,686,853,282	366,088,966
06/07	2,610,801,296	238,543,157	15/16	1,440,177,731	386,223,859
07/08	2,570,999,754	251,663,030	16/17	1,152,778,826	407,466,171
08/09	2,514,337,478	265,504,497	17/18	820,244,287	429,876,811
09/10	2,438,713,395	280,107,244	18/19	437,745,359	453,520,035
10/11	2,341,816,977	295,513,143			

The amortization of the UAL is discussed further in section E.

C. Benefit Reductions for “Cliff” Employees

In 1993, faced with a massive budget deficit, the Legislature and Governor cut state budgets and made a number of other changes to state law to close the budget gap.⁶

Among the changes was an amendment to state retirement law that reduced the retirement benefit package for state employees and teachers who did not have 10 years of service credit as of July 1, 1993. Employees who did not have 10 years of service credit on that date have been referred to as “cliff” employees⁷, and those who did have 10 years of service credit have been referred to as “pre-cliff” employees.

⁵ FY '03 payment was based on the 6/30/00 valuation

⁶ The budget bill was Public Law 1993, chapter 401.

⁷ The term “cliff” marks the dividing line between groups of employees with better benefits and those with worse benefits.

The retirement benefits of cliff employees differ from those of pre-cliff employees in the following ways:

- Normal retirement age for cliff employees is 62 (compared to 60 for most pre-cliff employees);
- The benefit reduction for retiring before normal retirement age is 6% per year, compared to an actuarially-determined amount that averages approximately 2^{1/4}% per year for pre-cliff employees; and
- Retirement benefits paid to cliff employees are not adjusted for increases in the cost of living until 12 months after they reach normal retirement age, compared to 12 months after retirement for pre-cliff employees.

An example of the impact of the differences follows. Two employees retire from the same job at the age of 56, with at least 25 years of service. Employee A, who had 10 years of service credit on July 1, 1993, receives a benefit reduced by about 9%. Employee B, who did not have 10 years of creditable service as of July 1, 1993, receives a benefit reduced by 36% and receives no cost-of-living adjustment for at least 5 years after retiring, further reducing the amount of his or her retirement benefit for the duration of his or her life.

D. Attempts to Address the Inequity

Since passage of the benefit package changes in 1993, attempts have been made to restore retirement benefits for the cliff employees and to protect state employees and teachers from future benefit cuts.⁸

In the First Regular Session of the 119th Legislature, a bill was introduced to study various aspects of the retirement system.⁹ The bill did not pass, but the Labor Committee of the 119th Legislature undertook its own review of the retirement system and its benefits. Among the issues addressed was the inequity created by the 1993 law changes. A memo describing the committee's review is included as Appendix F.

That study process provided some preliminary figures on the cost of restoring full benefits to the cliff employees. The cost to restore benefits for teachers and state employees in the "regular" state plan¹⁰ was estimated in November 2000 to be approximately \$140.1 million in a one-time payment to cover the liability created due to past service (an increase in the existing unfunded liability) and a continuing amount added to the normal cost, which for fiscal year 2001 was approximately \$22 million. The cost figure increases significantly

⁸ In 1999, Public Law 1999 chapter 489 lowered the vesting period from 10 to 5 years and provided contractual protection for certain aspects of retirement benefits.

⁹ LD 835, Resolve, to Study Pension Plan Design and Benefits under the Maine State Retirement System.

¹⁰ This cost did not include the cost of restoring benefits to the special plan members, which include several groups of law enforcement related positions.

with the passage of time, based on changes in the number and composition of the work force, length of service of cliff employees, investment earnings and other factors.

Faced with those numbers and the Constitutional prohibition against creating unfunded liability, the Labor Committee declined to pursue the idea of restoring benefit cuts to cliff employees. Instead, the committee recommended to the 120th Legislature the creation of a supplemental defined contribution plan for cliff employees. The proposal would not have created an unfunded liability and would have been less costly to provide. The recommendation was drafted as a bill and submitted to the First Regular Session of the 120th Legislature.

That bill, LD 1211, was not enacted but spurred discussion among members of the Labor Committee of the 120th Legislature, resulting in creation of the Task Force to Study Methods of Addressing Inequities in the Retirement Benefits of State Employees and Teachers.

E. Requirements for Funding Benefit Restoration

Attempts to address the inequity have been made more difficult by passage of 1995 amendments to the Maine Constitution prohibiting creation of additional unfunded liability in the retirement system and requiring that the existing unfunded liability be paid off by July 1, 2028. The provisions are found in Article 9, section 18-A and 18-B of the Maine Constitution. A copy of the provisions is included as Appendix D.

Section 18-A, prohibiting creation of unfunded liability, means that immediate funding must be provided if a change in law gives rise to additional liability for retirement benefits. A liability can be said to increase if a change in retirement law increases the cost of benefits attributable to service already performed by state employees and teachers covered by the retirement system. Therefore, a lump sum would need to be appropriated to the Maine State Retirement System to cover the likely future cost of benefits attributable to past service.

Section 18-B requires that the unfunded liability that existed in the state employee and teacher retirement plans within the MSRS as of June 30, 1996 be paid off by July 1, 2028. The amount is calculated by actuaries each year, based on the assets and liabilities of the plan determined using current actuarial assumptions. As of June 30, 2002, the amount was determined to be approximately \$2.6 billion. The timetable – or amortization schedule -- for paying off that amount is currently set in statute. The schedule was shortened twice during the 1990's, as favorable investment returns increased the value of assets in the retirement fund. Greater asset value meant that the UAL was smaller, and that a shorter payoff schedule could be adopted without increasing the required annual contribution.

The amortization schedule changed as follows:

- A 1988 study committee recommended a 30-year payoff schedule (payoff by 6/30/18)
- The remaining 25-year term was increased by 10 years in 1994 (payoff by 6/30/28)
- A 1995 Constitutional Amendment required payoff within 31 years of July 1, 1997 (payoff by 6/30/28)
- The 30 years remaining on the payoff schedule was reduced by 5 years in 1998 (payoff by 6/30/23)
- The 22 years remaining on the payoff schedule was reduced by another 4 years in 2001 (pay off by 6/30/19)

The current schedule is set forth in section B.

Although the trend during the 1990's was to shorten the amortization schedule, Governor King in 2001 proposed to lengthen the schedule for paying off the unfunded liability by 4 years to provide funds to close a General Fund budget gap. Members of the Labor Committee, as well as employee representatives, opposed the proposal and it was removed from the bill.

III. Task Force Deliberations

At their first meeting, Task Force members expressed support for undoing the retirement cuts made in 1993 for all cliff employees, if a viable way to pay for the restoration of benefits could be found.

Members preferred to restore the benefit cuts rather than looking further into options that had been reviewed in prior studies of the issue, including: (1) restoring cuts for some cliff employees (e.g., those who had been in service on the date the cuts were made) but not for all cliff employees; (2) restoring some but not all of the changes (e.g., leaving the normal retirement age at 62 but changing the penalties for early retirement); and (3) creating a supplemental benefit plan for cliff employees, such as a defined contribution plan.

Members said that the first option they rejected (restoring cuts only for those who were employed on the date the changes were made, but not for other cliff employees) would simply create a different kind of inequity. The second rejected option (restoring pieces of the benefit cuts) was difficult to explain. The third option (creating a defined contribution plan as a supplement for cliff employees) did not appear to be a viable option because of the difficulty of precisely identifying all cliff employees and the cost of such a program.

Members sought updated information from the Retirement System on the cost of restoring benefits and the possibility of paying those costs by reamortizing, or lengthening the payoff period, for the existing unfunded liability. In response to directions from the Task Force, the Retirement System provided information on 3 scenarios. Amortization schedules for paying the costs of the various scenarios are found in Appendix H.

Scenario #1

Under scenario 1, the amortization schedule would be extended to 2028 and the difference between the 2019 schedule and the 2028 schedule would be used to pay only the unfunded liability created by benefit restoration. Under this scenario, the increase in the normal cost would be paid directly by the General Fund in the same way as other normal costs are paid. The unfunded liability created by the benefit restoration would be paid off by the end of Fiscal Year 2009.

Scenario #2

Under scenario #2, the amortization schedule would be extended to 2028 and the difference between the 2019 schedule and the 2028 schedule would be used to pay both the unfunded liability created by benefit restoration and the increase in the normal cost created by the benefit restoration. The increase in normal cost would be paid from this difference only until the unfunded liability is paid, and then the increase in normal cost would be paid directly from the General Fund.

Under this scenario, the unfunded liability attributable to the benefit restoration would be paid by the end of fiscal year 2013.

Scenario #3

Under scenario #3, the amortization schedule would be extended to 2028 and the difference between the 2019 schedule and the 2028 schedule would be used to pay both the unfunded liability created by benefit restoration and the increase in the normal cost created by the benefit restoration until 2028. Sufficient funds can be banked by the end of fiscal year 2018 to pay almost all the normal costs until 2028.

In deciding which scenario to adopt, Task Force members attempted to find a way to equalize retirement benefits that was understandable to policymakers and the public and that was feasible in terms of long-term and short-term cost.

Members decided that Scenario #2 was the best option for equalizing the benefits without imposing an immediate additional burden on the General Fund. Both the unfunded liability and the increase in normal cost would be paid from money already expected to be appropriated pursuant to the amortization schedule already in effect. For approximately the next 10 years, if the amounts set forth in the current amortization schedule continue to be paid, the costs of the benefit restoration will be paid without increasing the employee and employer contribution rate paid on salaries. After that time, policy-makers would have an option to switch to Scenario #3 or to change the amortization schedule in other ways, depending on the State's financial status at that time.

IV. Recommendation

The Task Force recommends that the inequity in retirement benefits created by Public Law 1993, chapter 401, Part L be addressed by repealing the reductions that were applicable only to state employees, teachers and other educational personnel who did not have 10 years of service credit as of July 1, 1993.

The additional funds needed for this change should be provided by extending the period within which the state pays off the unfunded actuarial liability to the term permitted by the Maine Constitution and using the difference between the shorter payoff period and the longer period to fund both the unfunded liability and the normal cost increases attributable to the benefit restoration during the pay-down period.

A concept draft describing the necessary legislation is included as Appendix I.

This recommendation is based primarily upon the belief that it is fundamentally unfair to have 2 classes of employees working side by side on the same job – those with a more favorable retirement plan and those with a less favorable plan. In addition, members believe that a fair and strong retirement benefit package is an important tool in recruiting and retaining talented employees.

Although many legislators and employee representatives opposed the Governor's plan to lengthen the payoff period for the unfunded liability in 2001, members believe that this proposal is different. Instead of using the additional funds for general state expenses, the State would use the extra funds specifically to restore retirement benefit cuts.

The method of paying for the benefit restoration would be as follows:

1. The statute requiring that the UAL be paid off by 2019 would be amended to require payoff by 2028;
2. The Legislature would continue to appropriate the amount of money required by the shorter payoff period, and the difference between the amount needed for the longer period and the amount needed for the shorter period would be held in a separate account within the retirement trust fund;
3. The amounts in the separate account would be used each year to (1) pay the increase in the normal cost each year attributable to the benefit restoration for service earned in the current fiscal year; (2) pay for the increased cost of benefits for any cliff employee retiring that year; (3) build up a fund to pay the full cost of the unfunded liability created by the benefit restoration; and (4) pay for the increased cost of benefits for already-retired cliff employees.

4. When sufficient funds have been collected in the separate account to pay all the unfunded liability attributable to the benefit restoration, benefits would be considered fully restored for cliff employees. The increased normal cost in its entirety required by benefit restoration would be paid by the General Fund in the same way the current normal cost is paid. Policy-makers could then determine whether to continue to make payments under the longer amortization period or to shorten the period again.

This method of restoring benefits would occur with no immediate increase in General Fund costs. General Fund costs would rise, however, when the increase in the normal cost is no longer taken from the amortization of the UAL. Also, General Fund costs for paying off the UAL will be higher because of interest payments over the longer payoff period. If the Legislature continued paying off the UAL on the longer amortization schedule for the term permitted by the Constitution, the additional cost could be as much as \$2.3 billion. Reverting to a shorter schedule once the benefit restoration is funded would lessen that amount.

Despite the long-run cost of the restoration, the Task Force believes that it is fair to reamortize the payment of unfunded liability and to use the difference in scheduled amounts to restore benefit cuts to the “cliff” employees.

The following table shows the payments how the unfunded liability cost of the benefit restoration can be funded and how increases in the normal cost attributable to the benefit restoration can be covered for the next several years.

Amortization Schedule to Buy Down the “Cliff” Unfunded Liability and Pay the “Cliff” Normal Cost Increase During the Buy-down Period

Fiscal Year	Annual Payment FY '19 Payoff Non-cliff UAL	Annual Payment FY '28 Payoff Non-cliff UAL	Difference	Buydown of Cliff UAL (amount remaining)	Payment of Cliff Normal Cost
03/04	\$203,146,612	\$143,255,894	\$59,890,718	\$269,991,501	\$22,990,697
04/05	214,319,675	151,134,968	63,184,707	256,530,056	24,255,186
05/06	226,107,257	159,447,392	66,659,866	240,063,354	25,589,221
06/07	238,543,157	168,216,998	70,326,159	220,244,916	26,996,628
07/08	251,663,030	177,468,933	74,194,097	196,694,709	28,481,443
08/09	265,504,497	187,229,724	78,274,773	168,996,146	30,047,922
09/10	280,107,244	197,527,359	82,579,885	136,692,821	31,700,558
10/11	295,513,143	208,391,364	87,121,779	99,284,964	33,444,088
11/12	311,766,366	219,852,889	91,913,477	56,225,598	35,283,513
12/13	328,913,516	231,944,798	47,671,708	6,916,363	37,224,107
13/14	347,003,759	244,701,762		0	0
14/15	366,088,966	258,160,359			
15/16	386,223,859	272,359,178			
16/17	407,466,171	287,338,933			

17/18	429,876,811	303,142,574			
18/19	453,520,035	319,815,416			
19/20		337,405,264			
20/21		355,962,553			
21/22		375,540,494			
22/23		396,195,221			
23/24		417,985,958			
24/25		440,975,186			
25/26		465,228,821			
26/27		490,816,406			
27/28		517,811,309			

Assuming:

Total Existing UAL as of 6/30/02 of \$2,647,268,440

Cliff UAL for the fiscal year 2002/03 of \$228,200,000

Investment Return of 8%; Inflation/General Salary Increase of 5.5%

Data Provided by the Maine State Retirement System

December 13, 2002

The Task Force rationale for the recommendation is as follows:

- ❑ It's bad policy, bad for employee morale and bad for recruitment of excellent employees to have 2 employees performing the same work but having significantly different retirement benefit packages and to force employees to continue working simply to avoid substantial penalties in retirement benefits.
- ❑ The increase in costs will not worsen the State's current budget problems because they will be paid for by lengthening the payoff period for unfunded liability that the State is already required to pay off.
- ❑ Without this change, a pre-cliff employee retiring at age 59 receives a benefit reduced by about 2^{1/4}%, while a cliff employee retiring at the same age has a benefit reduced by 18% and a 3-year delay in cost-of-living adjustments. At age 60, the pre-cliff employee has a full benefit, but the cliff employee has a 12% reduced benefit and a 2-year delay in the COLA.

Appendix A.

List of Task Force Members

Appendix B.

Authorizing Legislation (Public Law 2001, chapter 707) and Request for Deadline Extension

Appendix C.

Chronology of Significant Events Relating to the “Cliff” Problem

Appendix D.

Provisions of the Maine Constitution Relating to Funding of the Retirement System (Article 9, sections 18-A and 18-B)

Appendix E.

Table Summarizing Options Considered in the Past for Addressing the Cliff

Appendix F.

**Memoranda Summarizing Past Efforts
by the Joint Standing Committee on Labor
to Address the Cliff**

Appendix G.

**Letter from the Maine State Retirement System Board of
Trustees to State Policymakers Regarding the Cliff Inequity,
dated May 9, 2001**

Appendix H.

Three Options for Funding Benefit Restoration for Cliff Employees

Appendix I.

Concept Draft for Proposed Legislation to Restore Benefits