

Town of Windham

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MEMORANDUM

To: Don Gerrish
From: Phyllis Moss *P. Moss*
Date: January 30, 2019
Re: Required Contributions to MainePers

Recently, the MainePers Board of Trustees approved changes that apply to employees who retire and are rehired by a Participating Local District (PLD). For any retiree who becomes employed as a Retiree Return to Work (RRTW) on or after October 2, 2018, employers must remit 5% of that employee's compensation toward the unfunded actuarial liability (UAL) of the plan. Any RRTW hired into a position on or before October 1, 2018 is grandfathered until June 30, 2021. Any future change to the RRTW UAL rate will be communicated at the same time that other PLD contribution rates are updated.

The Windham Town Council must provide some direction on how this 5% will be handled. Options include, but are not limited to:

- The employee will assume the entire burden of the 5%;
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- The Town and the employer will share the burden equally – 2.5% each; or
- The employer will reduce any matching contribution to the employee's deferred compensation plan by the 5%. For instance, if the employee would normally receive a 6% match on his/her 457 Plan, the Town would only contribute 1% to the 457 and 5% to MainePers.

Since we will want to remain competitive in attracting experienced personnel (law enforcement, especially), I recommend that the Council vote to split the fee equally – 2.5% each. Placing the entire burden on the employee will serve as a deterrent to potential RRTW hires, as will reducing the percentage of the Town's contribution to a deferred compensation plan.

Hiring a RRTW is cost effective. We are currently paying a 12.7% contribution to MainePers on behalf of employees in the 3C Plan (Police and Fire-Rescue). Since the RRTW will have already

retired and is collecting from the plan, he/she is ineligible to continue contributing to the plan. He/she, however, is eligible to make contributions to a deferred compensation plan.

This issue is for non-union only, at this point.