Employer and Member Costs for the Participating Local District Consolidated Retirement Plan (“PLD Plan”)

The PLD Plan is administered by MainePERS and is provided to employees of entities such as municipalities, counties, and quasi-municipal corporations that have approved participation of their employees in the Plan. Participating employees are members of the Plan. The PLD Plan is pre-funded, which means there are two types of pension costs—normal and unfunded actuarial liability (UAL).

Types of Pension Costs for the PLD Plan

What's the difference?

Normal Costs

Normal costs are the costs calculated to cover retirement benefits earned in the current fiscal year.

If nothing ever changes, such as unanticipated market disruptions, changes in employment trends or member lifespans, normal costs will cover the full cost of members' retirement benefits.

Unfunded Actuarial Liability Costs

Unfunded actuarial liability, or UAL, costs are the annual costs calculated to fund 100% of all pension liabilities if trust fund losses or employment trends have created underfunding. Losses can occur from market disruptions. Underfunding can also occur if member lifespans begin increasing or salaries increase at a faster rate than expected or other similar changes occur. In these cases, more funds need to be set aside to fund the unanticipated losses or increased plan costs

Who pays these costs for PLD members?

Employers and members pre-fund PLD Plan retirement benefits. At the end of each fiscal year, the normal and UAL costs for the Plan are determined through an actuarial valuation process and the required employer and member contribution rates are established for the upcoming fiscal year for each of the 10 sub-plans. In July 2019, a cost sharing structure was implemented such that PLD employers and members share the responsibility for paying the normal and UAL costs of the Plan, with approximately 42% of the costs paid by the members and the remaining 58% paid by the employers.

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Is there a maximum amount that members and employers pay?

Contribution caps exist for both member and employer rates, allowing each to help maintain sound Plan funding without experiencing uncontrolled increases in contribution levels. The member aggregate contribution rate cap is 9%. The employer aggregate contribution rate cap is 12.5%. These aggregate rate caps are allocated across each of the 10 sub-plans, resulting in a separate cap proportionately established relative to cost for each of the sub-plans.

Is there a minimum amount that members and employers pay?

The minimum contribution rate for members is 42% of the total calculated normal cost. Similarly, the minimum contribution rate for employers is 58% of the total calculated normal cost.

What happens if the costs exceed the established maximums?

Significant increases in pension costs typically result from severe market losses. If those losses create costs to the Plan that would otherwise exceed the aggregate member and employer contribution caps, future cost-of-living adjustments (COLAs) for eligible retirees could be reduced until markets improve and investment gains return. For example, should this happen and the COLA based on the CPI-U for that year was 2.0%, the actual COLA granted to eligible retirees may be reduced to something less than 2% to absorb the excess Plan cost.

Why are there different member contribution rates for the Regular Plans?

Most members, except for many of those in public safety or county correctional positions, are part of a regular plan. Members who first joined the PLD Consolidated Plan before July 1, 2014 have a regular plan Normal Retirement Age (NRA) of 60. Members who first joined the PLD Consolidated Plan on or after July 1, 2014, have a regular plan NRA of 65. The member contribution rate for those with a NRA of 65 is slightly lower than the member contribution rate for those with NRA of 60 because the anticipated pension costs are lower for members with a NRA of 65.