Charles Skold
59 State Street, Apt. 67
Portland, ME 04101
Phone: (207) 329-3838
Charles.Skold@legislature.maine.gov

HOUSE OF REPRESENTATIVES
2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1400
TTY: MAINE RELAY 711

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Testimony of Rep. Charles Skold presenting
LD 1872 - An Act to Reinvest in the Pension Funds of the Maine Public Employees Retirement System
Before the Joint Standing Committee on Labor

Senator Tipping, Representative Roeder, and esteemed colleagues of the Joint Standing Committee on Labor, my name is Charles Skold, and I represent House District 119, which includes parts of Portland. I'm proud to present LD 1872, "An Act to Reinvest in the Pension Funds of the Maine Public Employees Retirement System."

I have served on this Committee for almost three years, and for each of those three years I have listened to retired teachers and state employees come before this Committee begging us to undo the damage of the 2011 cuts that were made to their pensions.

The fact is, retired teachers and state employees had the rug pulled out from under them with the cuts that were made in 2011. Some of them have come to us in the past telling us that they have carefully planned for retirement, but what they did not plan for was the Legislature and the previous Governor deciding to cut their benefits.

It has been heart-wrenching to hear the stories of retired Mainers who spent their working lives educating the next generation of children or devoting their skills to the service of state government, only to now be barely scraping by in retirement and unable to afford many necessities as costs go up and up but their pension checks do not.

For example, Janice Driver, a retired teacher from West Bath testified before this Committee last session and here is what she told us:

"For the first time since I retired, I am afraid of my financial future. How many more years can I keep going backwards while the cost of living rises? That is a scary thought. On my salary and my husband's, we were not able to save a lot of money until both of our children were out of college. At that time, I was not worried as I knew my retirement would keep up with inflation. With the changes in 2011 that confidence flew out the window."

This is just one of many stories we have heard in this Committee about the impact these 2011 changes have had on retirees, and it is stories like this that have motivated me to take action and find a pathway forward to help these retirees.

I really appreciate that committee members have worked together with the aim of helping our retirees. We have moved bills forward to undo this damage and we have often found bipartisan and sometimes even unanimous consensus. Yet, the extraordinary cost of any proposal due to the language in Maine's Constitution prohibiting the creation of new unfunded liabilities has resulted in huge fiscal notes which makes passage of our consensus bills unattainable.

For example, last year this Committee came together to pass LD 70, "An Act to Eliminate the Cap on Retirement Benefits for State Employees and Teachers to Which a Cost-of-living Adjustment Is Made." This bill would have lifted the COLA cap so a retiree could expect to receive a COLA on the first $40,000 of pension earnings, yet the fiscal note for this simple change was an astounding $745 million.

It's a lot of money, but it's important to remember that it's not some large price tag for an unnecessary expense. Every cent of that $745 million, and more, is money that should be going into the pockets of our state retirees over the course of their retirement. It's money we took from them in 2011. It's money they are owed back.

But even if everyone on this committee and all our colleagues in the legislature agree we need to pay this debt to our retirees, how can we ever pay for such a large amount? Well that's where LD 1872 comes in. LD 1872 lays out a four year spending plan to invest in our retirees, with funds that will be freed up after fiscal year 2028.

You may recall that the State is currently paying upwards of $400 million per year in debt service to the retirement system, from debt that accrued before the 1996 constitutional amendment. However, in 2028 a very large portion of this debt will be paid off, which frees up some funds that we could then use to invest in the future of the retirement system and all our current retirees waiting to be made whole.

2028 lays out a roadmap that says for four more years after 2028, we will voluntarily continue to devote the same level of funds to the retirement system. This is money that is already currently going to fund the pension system, and it's money that goes out the door first, before any discretionary budget decisions are made. If we can just continue that approach for four more years, we can actually come up with the amount needed to fund the COLA on up to a $40,000 benefit base for each retiree.

The proposal creates a Retirement Improvement Fund that could generate up to $275 million per year for fiscal years 2028-2029, 2029-2030, 2030-2031, and 2031-2032. If the Legislature follows through on this proposal, that should create at least the $745 million needed for a 3% cap on the $40,000 benefit base, and perhaps even enough for a 4% cap on the $40,000 benefit base.

On first glance, I expect some could be worried that this bill will tie the hands of a future Legislature. First, I will say that is exactly the point. We must finally prioritize fixing the problems that were created in 2011, and this payoff is a once in a generation opportunity to do that. But logistically, it will still be up to the next legislature to carry out this plan, and they will have the ability to change the law if they want or need to.

LD 1872 plants a flag and commits these funds for continued largescale investment in our retirees for four more years, but it will be up to the retirees and other advocates and future legislators to protect this bill once we pass it. However, the work starts here with us. With LD 1872 we all have an opportunity now to say we will make this right once and for all, and we also have the funds to do it.

Thank you for your time and your consideration and I hope my colleagues will join me in voting Ought to Pass on LD 1872.

Rep. Charles A. Skold
District 119