Dan Shagoury
P.O. Box 202
Hallowell, ME 04347
Phone: 207-242-2169
Dan.Shagoury@legislature.maine.gov

HOUSE OF REPRESENTATIVES

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

April 19, 2023

Testimony of Representative Dan Shagoury introducing

LD 1499, An Act Regarding Penalties for Early Retirement for Certain Members of the Maine Public Employees Retirement System

Before the Labor and Housing Committee

Good morning, Senator Tipping, Representative Roeder and members of the Joint Standing Committee on Labor and Housing. I am Representative Dan Shagoury, and I represent House District 55 - the communities of Hallowell, Manchester and West Gardiner. I am pleased to come before you today to introduce **LD 1499, An Act Regarding Penalties for Early Retirement for Certain Members of the Maine Public Employees Retirement System**.

I know you have heard a lot about the problems faced by retirees in the MainePERS system. Many of these problems resulted from the changes made back in 2011, and this bill seeks to resolve one more of them.

In 2011, legislators decided that state contributions toward retiree health insurance would begin at the normal retirement age (60 or 62) for workers vested in the retirement system as of June 30, 2011. As part of this transition, workers who had at least 25 years of service as of July 1, 2011, but who had not yet reached their normal retirement age, were required to retire by December 31, 2011, in order to have fully paid health insurance immediately upon retiring. Otherwise, they would have to wait until they reached their normal retirement age.

As a result, some state workers who had at least 25 years of service but were not yet at their normal retirement age had a horrible choice to make. They could retire by December 31, 2011 or keep working longer than they had planned, in some cases ten or more years, in order to gain access to retiree health insurance.

Retiring early to keep their insurance had a steep cost as well - they had to take a penalty of 6% per year for each year they retired prior to normal retirement age. A worker who was five years short of normal retirement age, for example, took a 30% hit to their pension in order to access retiree health insurance – even though they already had attained at least 25 years of service.

What makes this even more unfair is that when those workers started their state employment, the penalty for retiring before the statutory retirement age was only 2.25% per year. That means that under the initial conditions of their employment, they would have only had a penalty of 11.25%

for retiring 5 years before the retirement age. The increase to 6% per year took place in 1993 - well after anyone with 25 years of service as of 2011 started working for the state.

This bill changes the retirement penalty for those employees back to what it was when they were hired – 2.25%. And it only applies to those retirees. This seems to be the fair solution.

I hope you will vote that LD 1499 “ought to pass.”

Thank you for your consideration. I look forward to working with you on this bill, and I will be glad to answer any questions.