TESTIMONY OF JEFF MCCABE
MAINE SERVICE EMPLOYEES ASSOCIATION, SEIU LOCAL 1989,
BEFORE THE JOINT STANDING COMMITTEE ON LABOR AND HOUSING

APRIL 19, 2023

IN SUPPORT OF LD 1499
AN ACT REGARDING PENALTIES FOR EARLY RETIREMENT FOR CERTAIN MEMBERS OF THE MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

SPONSORED BY REPRESENTATIVE DAN SHAGOURY

Senator Tipping, Representative Roeder, and members of the Committee on Labor and Housing, my name is Jeff McCabe, Director of Politics and Legislation for the Maine Service Employees Association, Service Employees International Union Local 1989 (MSEA-SEIU Local 1989). We are a labor union representing approximately 13,000 workers and retirees, mainly in the public sector, statewide. We respectfully ask you to support LD 1499.

LD 1499 address an unintended consequence of the enormous pension and healthcare cuts the 125th Maine Legislature imposed on state employees and others effective July 1, 2011 – an unintended consequence compounded by other pension cuts that took effect back in 1993.

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 Dec. 31, 2011, in order to have fully paid health insurance immediately upon retiring. Otherwise, their eligibility for fully paid health insurance would not kick in until they reached normal retirement age.

As a result, some state workers who had at least 25 years of service but were not yet at normal retirement age determined they had no choice but to retire by Dec. 31, 2011, in order to gain access to retiree health insurance. This meant they had to take a penalty of 6 percent 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-percent hit to their pension in order to access retiree health insurance – even though they already had attained at least 25 years of service. It's also important to know that the 6 percent annual retirement penalty is traced to changes the Legislature made to the retirement system in 1993. Under those changes, participants in the retirement system as of July 1, 1993, who did not have 10 years of creditable service, were required to have at least 25 years of service and attain age 62 in order to avoid the 6 percent annual penalty. Prior to that change, the penalty was 2.25 percent for each year below 60 years of age the person retired.

LD 1499 provides a solution for those workers who felt they were forced to choose, back in 2011, between getting retiree health insurance or taking a 6 percent annual hit to their pensions. The solution in LD 1499 is to change the rate of the penalty for those state employees and teachers who retired between July 1, 2011 and January 1, 2012, and who had at least 25 years of service as of July 1, 2011, but had not yet attained 62 years of age. We think it's the right thing to do for these public employees, and we encourage you to support LD 1499. Thank you and I would be glad to answer any questions.