

## **PUBLIC SECTOR PENSION PRIORITIES**

Prepared by John Kosinski (Maine Education Association) and Jeff McCabe (Maine Service Employees Association)

### **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**

Status: Passed unanimously by the Labor Committee, passed by the House and the Senate and sent to the Special Appropriations Table

Fiscal Note: \$744 million

Synopsis: This bill proposes to eliminate the current COLA cap that was put in place in 2011. This cap is costing many retirees thousands of dollars in pension benefits every year. The bill was passed UNANIMOUSLY by the Labor Committee with an amendment lifting the cap so a retiree can expect the COLA on the first \$40,000 in benefits. The fiscal note can certainly be decreased by decreasing the \$40,000 limit currently in the amended version of the bill.

### **LD 1096: An Act to Help Retired Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of-living Adjustment for Social Security Benefits**

Status: Passed unanimously by the Labor Committee,

Fiscal Note: \$183 million

This bill was passed UNANIMOUSLY by the Labor Committee with an amendment providing an additional 2% cumulative cola to all retirees – this will also help prevent erosion of benefits for active employees, including teachers, ed techs (IIs and IIIs) and state employees and help retirees right now for as long as they live.

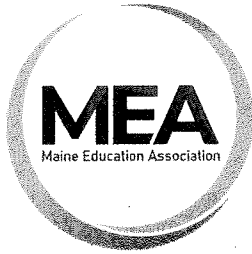
## **TEACHERS AND ED TECHS ONLY**

### **LD 112: An Act to Increase the State's Share of Retired Teacher Health Insurance**

Status: Strong bipartisan support in the Labor Committee, passed the House with a roll call vote of 137 in support, 7 opposed, and sent to the Special Appropriations Table.

Fiscal Note: \$3.2 million in 23/24, \$6.8 million in 24/25

This bill proposes to lift the amount the state pays for retired teacher health care from the current 55% to 60% on July 1st and 65% beginning July 1, 2024 for eligible retirees. This bill was passed by the House and Senate with strong bipartisan support and now sits on the Special Appropriations table and we expect will be reconsidered during the final days of the session.



## OUTSTANDING PENSION BILLS

### **LD 111: An Act Requiring the State to Pay a Share of a Retired State Employee's or Retired Teacher's Premium for Medicare Part B Under Medicare Advantage**

Status: Still in Labor Committee, public hearing held, work session scheduled for 5/17

Fiscal Note: not yet determined, amendment expected

Synopsis: This bill proposes a sliding scale to cover Medicare Part B payments for qualified retired state employees and retired teachers and ed techs (IIs and IIIs). For those with the least pension earnings, the bill proposes the state cover 100% of the Medicare Part B monthly premium. State contributions are a sliding scale based on pension earnings.

### **LD 1607: An Act to Stabilize the Pension Funds of the Maine Public Employees Retirement System**

Status: In AFA Committee, public hearing held, work session not yet scheduled

Fiscal Note: not yet determined, amendment expected

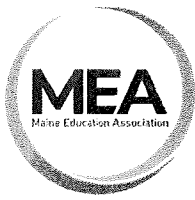
Synopsis: This bill proposes to create a new Retirement Improvement Fund that captures surplus and/or unspent revenue at the end each fiscal year specifically to make pension improvements as called for in LD 70 (see above). The funding, as it is accrued into the Retirement Improvement Fund can only be used to increase the COLA cap so retirees will see a cost-of-living adjustment on more of their pension earnings.

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

Status: Public hearing held in Labor Committee, not yet reported out

Fiscal Note: Not yet determined

Synopsis: 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. For those particular individuals, LD 1499 would calculate their penalty at 2.25 percent for each year the person was below 62 years of age upon retirement from service.



## **Maine Education Association**

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

### **Testimony**

#### **Neither For Nor Against**

#### **LD 258: Part HHHHH**

**John Kosinski, Government Relations Director, Maine Education Association**

**Before the Appropriations and Financial Affairs Committee**

**May 18, 2023**

Senator Rotundo, Representative Sachs and other esteemed members of the Appropriations and Financial Affairs Committee,

My name is John Kosinski (he/him), and I am proud to serve as the Director of Government Relations for the Maine Education Association (MEA). The MEA represents 24,000 educators in the state of Maine, including teachers and other professionals in nearly every public school in the state and faculty and other professional staff in the University of Maine and Community College Systems.

I am here today to testify on behalf of the MEA to testify Neither for Nor Against Governor's proposed change package to LD 258, specifically part HHHHH of the change package.

Part HHHHH proposes a one-time ad hoc cost-of-living of 3% for all current retirees. While this proposal will certainly provide some relief to retired teachers, ed tech IIs and IIIs and state employees, we remain deeply concerned the structural challenges of our pension system due in large part to rampant, sustained inflation and the devastating cuts to the pension system passed in 2011. Retired educators are falling further behind in terms of purchasing power and benefits for all active teachers, ed techs (IIs and IIIs) and state employees will continue to erode without cumulative increases in the pension system.

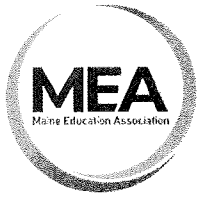
It is important to note there are two major changes passed in 2011 that impact the pension benefits of current retirees. The first is what I refer to as the COLA cap. The cap was set in 2011 so only the first \$20,000 was subject to the COLA, and this figure was later adjusted for inflation. Today, more than 10 years after the COLA cap was put in place, the COLA only applies to the first \$24,911.84, due in part because the COLA was frozen for three years and retirees received no cumulative increase during this time.

The other cut passed in 2011 was a permanent reduction in the COLA from 4% to 3%. This cut has been most harmful in the inflationary environment we find ourselves in today.

In order to underscore this point, I want to show the Committee the individual and cumulative impact on the COLA cap put in place in 2011.

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.maineaa.org](http://www.maineaa.org)



## Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

For purposes of illustration, I have compared a retired teacher in 2011 with a \$30,000 benefit and compared that to someone with a \$30,000 benefit **if the COLA cap had not been applied in 2011 and if the maximum COLA remained at 4% as it was prior to 2011.**

**Table A -- \$30,000 per year retirement benefit in 2011, No Cola Cap, Maximum COLA at 4%**

YEAR	CPI	\$ 30,000.00	Increase
2011	0.036	\$ 31,080.00	\$ 1,080.00
2012	0.017	\$ 31,608.36	\$ 528.36
2013	0.018	\$ 32,177.31	\$ 568.95
2014	0.021	\$ 32,853.03	\$ 675.72
2015	0.001	\$ 32,885.89	\$ 32.85
2016	0.01	\$ 33,214.75	\$ 328.86
2017	0.016	\$ 33,746.18	\$ 531.44
2018	0.029	\$ 34,724.82	\$ 978.64
2019	0.016	\$ 35,280.42	\$ 555.60
2020	0.006	\$ 35,492.10	\$ 211.68
2021	0.04	\$ 36,911.78	\$ 1,419.68
2022	0.04	\$ 38,388.26	\$ 1,476.47

As you can see, someone with a \$30,000 retirement benefit could have expected to have a pension benefit today of \$38,388.26 if no COLA cap had been applied in 2011 and if maximum COLA remained at 4%.

It is important to note, if benefits had fully kept pace with inflation, as you can see in Table B below, this retired teacher could have expected a current pension benefit of \$40,812.



## Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

**Table B -- \$30,000 Retirement Benefit in 2011, No COLA Cap, Pension Benefits Reflect Inflation Increases**

YEAR	CPI	\$ 30,000.00	Increase
2011	0.036	\$ 31,080.00	\$ 1,080.00
2012	0.017	\$ 31,608.36	\$ 528.36
2013	0.018	\$ 32,177.31	\$ 568.95
2014	0.021	\$ 32,853.03	\$ 675.72
2015	0.001	\$ 32,885.89	\$ 32.85
2016	0.01	\$ 33,214.75	\$ 328.86
2017	0.016	\$ 33,746.18	\$ 531.44
2018	0.029	\$ 34,724.82	\$ 978.64
2019	0.016	\$ 35,280.42	\$ 555.60
2020	0.006	\$ 35,492.10	\$ 211.68
2021	0.054	\$ 37,408.67	\$ 1,916.57
2022	0.091	\$ 40,812.86	\$ 3,404.19

Instead, due to the COLA cap placed in 2011 and the three years of COLA freezes imposed on retirees in 2011, retirees have lost ground in purchasing power.

**Table C – Estimate of Pension Earnings for a Retired Teacher with a Pension Benefit of \$30,000 in 2011**

Pension COLA	Max COLA in dollars	New COLA BASE	Benefit
	\$ 20,000.00		
0.036 \$30,000.00	\$ -	\$ 20,000.00	\$ 30,000.00
0.017 \$30,000.00	\$ -	\$ 20,000.00	\$ 30,000.00
0.018 \$30,000.00	\$ -	\$ 20,000.00	\$ 30,000.00
0.021 \$30,420.00	\$ 420.00	\$ 20,000.00	\$ 30,420.00
0.0255 \$30,940.71	\$ 520.71	\$ 20,420.00	\$ 30,940.71
0.0255 \$31,474.70	\$ 533.99	\$ 20,940.71	\$ 31,474.70
0.016 \$31,818.29	\$ 343.60	\$ 21,474.70	\$ 31,818.29
0.029 \$32,451.02	\$ 632.73	\$ 21,818.29	\$ 32,451.02
0.016 \$32,810.24	\$ 359.22	\$ 22,451.02	\$ 32,810.24
0.006 \$32,947.10	\$ 136.86	\$ 22,810.24	\$ 32,947.10
0.04 \$33,864.99	\$ 917.88	\$ 22,947.10	\$ 33,864.99
0.03 \$34,590.57	\$ 725.59	\$ 24,186.25	\$ 34,590.57

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.mainea.org](http://www.mainea.org)



## Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

Just to be clear.

A retired teacher with a \$30,000 pension benefit in 2011 does **not** have a benefit today of \$38,388.26 – what they would have if there was no COLA cap in place and the maximum COLA was 4% not 3%.  
A retired teacher with a \$30,000 pension benefit in 2011 does **not** have a benefit today of \$40,812 – what they would have if there was no COLA cap in place and the benefits matched inflation.

Instead, as you can see above in Table C, a person with a \$30,000 pension benefit in 2011 has a pension benefit today of approximately \$34,590. This is a difference of \$3,797 per year if no COLA cap had been put in place and if the maximum COLA remained at 4%. For someone relying on less than \$35,000 per year to live, \$3,797 is a lot of money.

Despite inflation of over 28% since 2011, this person has only seen an increase of 13% in benefits over this period due in part to the COLA freezes from 2011-2014 and the COLA cap. This is why we are deeply worried about the ability for pension benefits to keep pace with inflation, especially when inflation continues to far outpace the maximum 3% and with the COLA capped at roughly the first \$24,000 of earnings.

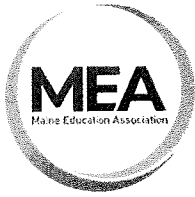
And these changes in 2011 have a long tail impact for retirees. In Table D I show the cumulative impact of the COLA cap by comparing the pension benefit they would have received with no COLA cap versus my estimate of what they did receive.

**Table D: Cumulative Impact, COLA Cap vs No COLA Cap (2011-2022)**

YEAR	Pension COLA	Benefit	Max COLA in dollars	New COLA BASE	Difference
			\$ 20,000.00		
2011	0.036	\$ 30,000.00	\$ -	\$ 20,000.00	\$ 1,080.00
2012	0.017	\$ 30,000.00	\$ -	\$ 20,000.00	\$ 1,608.36
2013	0.018	\$ 30,000.00	\$ -	\$ 20,000.00	\$ 2,177.31
2014	0.021	\$ 30,420.00	\$ 420.00	\$ 20,000.00	\$ 2,433.03
2015	0.0255	\$ 30,940.71	\$ 520.71	\$ 20,420.00	\$ 1,945.18
2016	0.0255	\$ 31,474.70	\$ 533.99	\$ 20,940.71	\$ 1,740.05
2017	0.016	\$ 31,818.29	\$ 343.60	\$ 21,474.70	\$ 1,927.89
2018	0.029	\$ 32,451.02	\$ 632.73	\$ 21,818.29	\$ 2,273.80
2019	0.016	\$ 32,810.24	\$ 359.22	\$ 22,451.02	\$ 2,470.18
2020	0.006	\$ 32,947.10	\$ 136.86	\$ 22,810.24	\$ 2,545.00
2021	0.04	\$ 33,864.99	\$ 917.88	\$ 22,947.10	\$ 3,046.80
2022	0.03	\$ 34,590.57	\$ 725.59	\$ 24,186.25	\$ 3,797.68
			\$ -	<b>Cumulative Impact</b>	<b>\$ 27,045.27</b>

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.maineaa.org](http://www.maineaa.org)



## Maine Education Association

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

Over the past 12 years this retiree lost over \$27,000 in cumulative pension earnings. These are funds they could have used to pay for Medicare Part B or their Medicare Advantage plan. This money could have been used for car payments, or to fix the leaky roof. Instead, some took out more credit card debt. Some "made do." Some may have asked their church or family for help.

The Labor Committee has heard loud and clear about the dire situation for many retirees. That is why we have seen them UNANIMOUSLY pass two bills to increase pension benefits for current and future retirees and there was strong bipartisan support to increase state funding for the retired teacher health care program.

### **Key Pension Bills:**

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

Status: Passed unanimously by the Labor Committee, passed by the House and the Senate and sent to the Special Appropriations Table Fiscal Note: (\$744 million)

Synopsis: This bill proposes to eliminate the current COLA cap that was put in place in 2011. This cap is costing many retirees thousands of dollars in pension benefits every year. The bill was passed UNANIMOUSLY by the Labor Committee with an amendment lifting the cap so a retiree can expect the COLA on the first \$40,000 in benefits. The fiscal note can certainly be decreased by decreasing the \$40,000 limit currently in the amended version of the bill.

LD 1096: An Act to Help Retired Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of-living Adjustment for Social Security Benefits ([getPDF.asp \(mainelegislature.org\)](http://getPDF.asp(mainelegislature.org)))

Status: Passed unanimously by the Labor Committee and will be headed to the House and Senate for votes (Fiscal Note: \$183 million)

This bill was passed UNANIMOUSLY by the Labor Committee with an amendment providing an additional 2% cumulative cola to all retirees – this will also help prevent erosion of benefits for active employees, including teachers, ed techs (IIs and IIIs) and state employees and help retirees right now for as long as they live.

LD 112: An Act to Increase the State's Share of Retired Teacher Health Insurance

Status: Strong bipartisan support in the Labor Committee, passed the House with a roll call vote of 137 in support, 7 opposed, and sent to the Special Appropriations Table. (Fiscal Note: \$3.2 million in 23/24, \$6.8 million in 24/25)

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.mainea.org](http://www.mainea.org)



## **Maine Education Association**

Grace Leavitt President | Jesse Hargrove Vice President | Beth French Treasurer  
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

This bill proposes to lift the amount the state pays for retired teacher health care from the current 55% to 60% on July 1<sup>st</sup> and 65% beginning July 1, 2024 for eligible retirees. This bill is no substitute for pension improvements but will provide relief to retired educators right away and help them afford their Medicare Advantage health plan in retirement.

We recognize these changes are costly, but failure to act will put thousands of retired servants further behind and create more intense problems in the future as career educators try to retire and find their benefits are not sufficient. We fully expect cumulative improvements will have a large cost due to Maine's unique constitutional constraints, although these costs are one-time costs only. We hope all of you can work with us to make sure we find a pathway forward to fix this problem and we can get back to a shared goal of caring for retired teachers and public servants.

Thank you for listening and for your service to the people of Maine. I will do my best to answer any questions you may have.

35 Community Drive, Augusta, ME 04330 | 1349 Broadway, Bangor, ME 04401  
7 Hatch Drive, Suite 220, Caribou, ME 04736 | 29 Christopher Toppi Drive, South Portland ME 04106

207-622-5866 | 207-888-2070 fax | [www.maineea.org](http://www.maineea.org)