Maine Education Association
Jesse Hargrove President | Beth French Vice President | Jaye Rich Treasurer
Rebecca Cole NEA Director | Rachelle Bristol Executive Director

Testimony

In Support Of

LD 328: An Act Requiring the State to Pay a Retired State Employee's or Retired Teacher's Premium for Medicare Part B Under Medicare Advantage

Jan Kosinski, Government Relations Director, Maine Education Association

Before the Labor Committee

March 5th, 2025

Senator Tipping, Representative Roeder, and other members of the Labor Committee,

My name is Jan Kosinski, and I am the Director of Government Relations for the Maine Education Association (MEA). The MEA represents nearly 24,000 educators, including teachers and other educators in nearly every public school in the state, as well as full-time faculty and other professional and support staff in both the University of Maine and Community College systems. Thousands of retired educators continue their connection and advocacy work through the MEA- Retired program.

I offer this testimony today on behalf of the MEA in SUPPORT of LD 328, *An Act Requiring the State to Pay a Retired State Employee's or Retired Teacher's Premium for Medicare Part B Under Medicare Advantage.*

We feel compelled to support this bill because of the drastic and seemingly intractable cuts made to the pensions of retired teachers and state employees in 2011 and our desire to make sure retired teachers and other public servants can retire with the dignity they deserve.

As you have already heard this session, the cuts pushed in 2011 by the previous Governor contained two major components.

First, it capped the entire cost-of-living (COLA) on pension benefits to ONLY the first $20,000 of pension earnings. To add insult to injury, COLAs were frozen for several years and were only adjusted by inflation starting in 2014. Today, someone in the pension system can expect the COLA will only apply to the first $25,659.20 of their pension earnings, regardless of their annual pension earnings.

The second major cut contained in the budget of 2011 capped the COLA to 3% whereas before it was capped at 4%. This particular cut was felt most acutely in 2021 when inflation was 5.4% and again in 2022 when inflation was 9.1%.

While there were other cuts to the plan for people still working in our schools, such as lifting the normal retirement age, these two cuts left current retirees drifting backward in terms of their financial security.

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As an example, if someone today has a pension benefit of $40,000 per year after a career as a teacher, they can expect a maximum COLA of 3% on the first $25,659 of their benefit. Their cost-of-living increase is not 3% -- it is 1.9%. They can expect an increase of $769 annually in their pension, instead of the $1,200 annually they should have received if the COLA cap had not been instituted in 2011. This is why retired teachers feel as if they are moving backwards, especially during a time of record and stubborn inflation.

Table A shows what a retired teacher with a $30,000 expected to receive in 2011 PRIOR to the cuts that were passed in the biennial budget that year. It assumes no COLA cap and maintains the maximum COLA of 4%.

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

Again, this is the benefit someone with a $30,000 pension benefit could have expected if the 2011 cuts to the pension system had NOT been enacted.

Instead, Table B shows that this same hypothetical retiree now receives in benefits.

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Table B – 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

What's more, the longer a retiree lives, the further behind they will fall, because the lack of a cost-of-living increase on their full benefit compounds over time. Table C shows the cumulative impact of these cuts on a hypothetical retiree over the past 11 years. This retiree has lost over $27,000 in expected and anticipated pension earnings over this period. When I update this chart with 2023 data, it will show the difference in what they should have received versus what they did receive will only intensify and the cumulative impact will only deepen.

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

YEAR	Pension COLA	Benefit	Max COLA in dollars	New COLA BASE	Diffference
			$ 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
			$ -	**Cumulative Impact**	**$ 27,045.27**

Efforts to fix this tragedy have eluded us thus far, due in large part to the unique constraints found in Maine's state constitution. In November of 1995, voters in Maine approved Article IX, Section 18 of the Maine State Constitution that limits the ability for the state to improve benefits for retired teachers and state employees without paying the entire cost upfront for that improvement, even if the improvement is an effort to undo a bad decision that was pushed onto retirees in 2011.

From the Maine State Constitution, Article IX:

Section 18-A. Funding of retirement benefits under the Maine Public Employees Retirement System. Beginning with the fiscal year starting July 1, 1997, the normal cost of all retirement and ancillary benefits provided to participants under the Maine Public Employees Retirement System must be funded annually on an actuarially sound basis. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. (emphasis added)

Just last session, this Committee in a strong, UNANIMOUS vote approved LD 70, *An Act to Raise the Cap on Retirement Benefits for State Employees and Teachers to Which a Cost-of-living Adjustment Is Made.* If passed it would have lifted the COLA, so it applied to the first $40,000 of pension earnings. This bill did not pass because it had a price tag of $745 million! Due to the constitution, the entire cost of lifting the amount the COLA applies to would have to be paid for everyone currently in the plan, now and into the future, to avoid creating any "unfunded liabilities" to the plan.

So that brings us to the bill before you today, LD 328. Since we are unable to find the resources to undo the damage of a past Legislature to fix the pension, we support efforts to find ways to provide relief to retired educators that do not activate the constitutional limitations described above. That is why we support LD 111, *An Act to Increase the State's Share of Retired Teacher Health Insurance*. We support any efforts that will keep retirees from falling further behind.

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Nearly all retired teachers pay into the Medicare Part B program. There are about a thousand retired teachers who do not qualify for Medicare, but the overwhelming majority pay into the program. The current monthly premium is $185 per retiree. Passing this bill and funding this bill would put $2,200 in the pocket of retired teachers each year. In the hypothetical example I provided today, a person with a $30,000 pension benefit in 2011 is now losing almost $4,000 of annual benefits they expected. Put another way, LD 328 is no substitute for the pension improvements retired teachers need but it can help retired teachers meet their basic needs and retire with the dignity they so deserve, especially after a career of educating our state's children.

For decades public servants and educators understood that lower salaries were balanced with secure benefits, such as retirement and healthcare. 2011 began an attack on educators and their benefits by using their retirement fund to balance the state budget. It should be of no surprise that 15 years later we face a critical educator shortage. The state can mend some harm and restore the promise of benefits in retirement to educators who have served Maine students and make public education a more viable career path for future educators by passing LD 328.

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

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132nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2025

Legislative Document **No. 328**

H.P. 228 House of Representatives, February 3, 2025

An Act Requiring the State to Pay a Retired State Employee's or Retired Teacher's Premium for Medicare Part B Under Medicare Advantage

Received by the Clerk of the House on January 30, 2025. Referred to the Committee on Labor pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

ROBERT B. HUNT
Clerk

Presented by Representative SHAGOURY of Hallowell.
Cosponsored by Senator HICKMAN of Kennebec and
Representatives: BECK of South Portland, BRIDGEO of Augusta, DODGE of Belfast, HASENFUS of Readfield, MONTELL of Gardiner, ROLLINS of Augusta, SKOLD of Portland.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 5 MRSA §285, sub-§7, ¶N is enacted to read:

N. Beginning January 1, 2026, the State, through the commission, shall pay 100% of a retiree's Medicare Part B premium under the Medicare Advantage plan identified and offered by the commission and available to the retiree as authorized by the commission if the retiree is not eligible for federally approved Medicaid services.

Sec. 2. 20-A MRSA §13451, sub-§6 is enacted to read:

6. Payment by State for Medicare Part B under Medicare Advantage. Beginning January 1, 2026, the State shall pay 100% of a retired teacher's Medicare Part B premium under the Medicare Advantage plan administered by the Maine Education Association benefits trust if the retired teacher is not eligible for federally approved Medicaid services.

SUMMARY

This bill requires the State to pay 100% of a retired state employee's or retired teacher's premium for Medicare Part B under the Medicare Advantage plan beginning January 1, 2026.