



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 1872: An Act to Reinvest in the Pension Funds of the Maine Public Employees Retirement System

Jan Kosinski, Government Relations Director, Maine Education Association

Before the Labor Committee

May 13th, 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 1872, *An Act to Reinvest in the Pension Funds of the Maine Public Employees Retirement System*.

For years now, retired teachers and state employees have appeared before this Committee to share stories concerning the impact of the 2011 pension cuts on their financial security. We have had numerous hearings on bills to undo the damage, either in whole or part, and hundreds of retirees have appeared before this Committee and other Committees to outline the exact and devastating impacts of these cuts and to implore you to help.

We have made some success. Over the past 4 years the Legislature has lifted the amount the state pays for the retired teacher health care from 45% to 60%. Thank you.

But while these changes are helpful, they have not been enough. Chipping in more for the health care costs has not alleviated the deep concerns of retirees and the financial insecurity they face. Many retired teachers took great care to plan for retirement. They calculated their benefits, their costs of living and what they needed in retirement, and they made a thoughtful decision to retire when they were ready and when they could afford to do so. Sadly, for thousands, the cuts in 2011 disrupted all their planning and their financial security.



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For many years now, this Committee has shown tremendous support for retired teachers and state employees. Members of this Committee have worked to find common ground, only to see astronomical fiscal notes attached to compromise bills. Last session, a bill to increase the cost-of-living cap so that a retiree can expect to receive a cost-of-living adjustment on their first \$40,000 of earnings was met with strong bipartisan support and a fiscal note of over \$700 million. Maine's unique "pay upfront" constitutional amendment has made any meaningful improvement out of reach.

The bill before you offers a different approach. Rather than continuing to push for changes we cannot afford, this bill proposes to set a marker in law to fix this problem. Given the pending payoff of the legacy unfunded actuarial liability, or UAL, the bill recognizes the timeline for this payoff and promises to direct that funding to pension improvements. This bill makes clear that the calls from help from retirees did not fall on deaf ears.

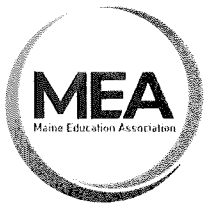
I must point out that the legacy debt of the UAL (the debt accrued prior to 1997) is not the fault of any of you, or any of the retirees. Past legislatures made the fiscally irresponsible decision to kick the can down the road when it came to the state's required pension payments. While the constitutional amendment passed in 1995 has its drawbacks, such as impeding any pathways to fix the problems created by the 2011 cuts, it created clear safeguards to require the state to pay the normal pension costs and created a clear pathway to pay off the debt that had been accrued. It worked.

But now with the payoff of the legacy UAL approaching, we encourage this Committee to begin planning for that payoff and using that payoff to do the right thing – specifically, to fix the cuts caused during the 2011 budget proceedings. You can start the path towards finally fixing this problem, restoring the rightful benefit levels to current and future retirees, and giving retirees hope once again.

In the past I and many others have made the case that the pension cuts in 2011 were done to make way for tax cuts for the wealthy. The income tax cuts made in 2011 remain. The pension cuts remain too. This bill attempts to address the cuts and make a plan to remedy the situation, without revisiting the other side of that deal – namely, the tax cuts that accompanied the pension cuts.

As I have testified in the past, the longer we wait to fix this problem, the more expensive it will be to fix. Every year that passes, the cost of getting rid of the COLA cap increases, akin to moving the goalpost back another few years with every passing year. Yet, the retirees lucky enough to live longer pay more and more of the price and struggle even more to afford the basic necessities of life.

This bill diverts the funding that would have gone to the legacy UAL payments to a new Retirement Improvement Fund. We expect the state is paying approximately \$270 million per year.



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According to a recent report from the Maine Public Employees Retirement System we expect the UAL payment for the fiscal year ending in 2028 will be \$419,951,073. In fiscal year ending 2029, the UAL payment is scheduled to be \$141,981,986 – a difference of \$277,969,587. MainePERS may have more updated figures, but based on this data, the idea behind this legislation is to earmark that \$277,969.587 different in payment for the Retirement Improvement Fund. In the fiscal year ending in 2030, the UAL payment is expected to decline \$140,819,574. If LD 1872 passes, the concept is to compare that year's payment to the payment made in 2028 of \$419,951,073. This would mean an additional \$279,131,499 into the Retirement Improvement Fund. And this process would continue for the next two fiscal years.

I have pasted below a chart showing the impact of this proposal based on recent and publicly available information from MainePERS. They may have more recent and updated data, and as always, I defer entirely to their expertise, but I was hoping to show the impact of this bill.

The bill proposes to use the 2028 UAL payment as a marker for comparison over the next four years and to set aside that funding in the Retirement Improvement Fund. Based on these calculations, and of course if future policymakers honor this commitment, we can expect the Fund to see over \$1 billion in investments over the four fiscal years following 2028. That should be enough drastically lift the cost-of-living cap, at least. It is astonishing to think this change will not eliminate the COLA cap, but it at least will establish real progress.

MainePERS

Projected Payment Schedule from 2024 Valuation
State and Teachers Plan ONLY

Future Dollars

In Future Dollars					Approximate LD 1872 Impact/ Deposits to Retirement Improvement Fund
FYE	UAL @ BOY	Normal Cost	UAL Payment	Total Payment	
2025	\$ 2,463,913,052	\$116,448,155	\$379,798,569	\$ 496,246,724	
2026	\$ 2,145,439,783	\$119,262,204	\$400,610,732	\$ 519,872,936	
2027	\$ 1,822,943,428	\$122,215,731	\$411,627,528	\$ 533,843,259	
2028	\$ 1,483,466,857	\$125,284,441	\$419,951,073	\$ 545,235,514	
2029	\$ 1,118,167,275	\$128,456,518	\$141,981,486	\$ 270,438,004	\$277,969,587
2030	\$ 1,024,203,291	\$131,728,086	\$140,819,574	\$ 272,547,660	\$279,131,499
2031	\$ 931,165,996	\$135,100,071	\$144,692,113	\$ 279,792,184	\$275,258,960
2032	\$ 832,227,901	\$138,575,926	\$145,816,429	\$ 284,392,355	\$274,134,644
2033	\$ 728,640,108	\$142,154,581	\$142,311,536	\$ 284,466,117	
					\$1,106,494,690

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We fully understand a future legislature or Governor may propose changes to this law if it were enacted. We commit to do our best to be a guardian for these resources and this language. The issues created 14 years ago have not gone away over the past 14 years – in fact, they have gotten worse. We expect the next few years will also be a challenge as even small progress eludes us due to the state's challenging fiscal picture. But we stand ready to help make sure whoever is sitting in these seats in 2028 and beyond hears the voices of the retirees. With your help, we will work to maintain the letter and the spirit of this proposal.

Thank you for 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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