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TESTIMONY

In support of

LD 84: An Act To Increase the State Share of the Cost of Health Insurance for Retired Teachers
LD 293: An Act To Increase the State's Share of the Cost of Health Insurance for Retired Teachers

John Kosinski, Government Relations Director, Maine Education Association

Before the Joint Standing Committee on Education

February 17th, 2021

Senator Daughtry, Representative Brennan and other esteemed members of the Education and Cultural Affairs Committee,

My name is John Kosinski and I am here on behalf of the Maine Education Association (MEA) to testify in support of LD 84 and LD 293. Both bills are designed to address a long-standing issue – the need to increase the state share of costs for healthcare for eligible retired teachers and ed tech IIs and IIIs and other certified professionals in our schools in the Maine Public Employees Retirement System (MePERS). The MEA represents 24,000 educators in the state of Maine, including nearly 5,000 retired educators.

This is not a new issue for this Committee. Just last year, this Committee debated LD 178 sponsored by Representative Collings which was identical to the bills before you today. The Committee and the Legislature passed that bill, but the bill died when the Legislature left in March due to concerns about the COVID-19 pandemic.

Educators in Maine are already severely disadvantaged in retirement. If you are not aware, I would encourage you to better understand the Government Pension Offset and Windfall Elimination Provisions (GPO/WEP) of Social Security. These provisions unfairly penalize teachers and ed techs that have worked in positions outside of public schools that are eligible for Social Security. Any educator that has regular summer jobs covered by Social Security, or if they enter or leave the profession during their career and work in Social Security-based employment, will run into the GPO/WEP provisions of Social Security which penalizes their retirement earnings.

In addition, there are Maine's unique constitutional provisions regarding our retirement plan for educators via Maine Public Employees Retirement System (MePERS). I have included in my testimony the relevant section of the Maine State Constitution, Article IX, Sec 18a.

Section 18-A. Funding of retirement benefits under the Maine State 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)

These provisions make it nearly impossible to make even modest improvements to our pension plan since the state is required, by our Constitution, to pay for the cost of any improvements upfront. Even a minor change creates a price tag of millions of dollars. For example, on February 3rd, the Labor Committee held a public hearing on LD 111, a bill designed to allow educators with 35 years of service to retire without penalty. 35 years! Educators with 35 years of service in public schools is a tiny sliver of the workforce, yet just removing the penalties on an early retirement with 35 years of service had a fiscal note of over $80 million. The Constitutional amendment prohibiting the creation of unfunded liabilities creates these upfront costs that universally make pension improvements unattainable. LD 111 is just the latest example.

The Constitutional amendment is even more harmful to the retirement security of teachers and ed techs because of the last round of pension cuts that were passed by the Legislature and signed by the Governor in 2011. These cuts were part of the biennial budget process and resulted in a new “cliff” for teachers and ed techs, requiring some to work until they are 65 to retire without penalty. These cuts also contained COLA caps and cuts for all retirees. These cuts created tremendous harm for current and future retirees and the likelihood of improvements appears to be far off in the distance due to the price tag of any meaningful improvement.

This is all to say that the state can and should prioritize the bills before you today. We **can** make improvements to the health care program for retired teachers. These changes are affordable for the state and can directly improve the lives of retired educators right now. Some of the other items I referenced already in my testimony are long term problems that will require long term solutions. But the long-term issue of improving the retiree health care program can be solved right now, by you.

And now is the time to pass either of these bills.

For those legislators that were here last year, you may remember the urgency to address this issue due to changes in the retiree health care plan. Beginning July 1, 2020, the MEA Benefits Trust has transitioned their retiree health care program to a Medicare Advantage program and this has resulted in significant savings for the state and for the retirees. The state can move to 55% state funding for the retiree health care program within existing, budgeted resources.

I have attached with my testimony a full accounting of the cost of changing to the 55% for state teacher retiree healthcare. Here are the main points:

- In FY 20, the state budgeted $45 million for retired teacher health care but only spent $31.8 million for the 45% contribution. After making a payment of $10 million for the unfunded actuarial liability (UAL) of the plan, an additional $3.1 million remained to be added to the UAL payment.
- In FY 21, the state again budgeted $45 million for retired teacher health care but only spent $29.1 million for the 45% contribution. The cost savings was due to the transition to the Medicare Advantage plan. After making a payment of $10 million for the unfunded actuarial liability (UAL) of the plan, an additional $5.8 million remained to be added to the UAL payment.
- Over FY 20 and 21, the state has contributed $8.9 million more than anticipated to the UAL payment for retired teacher health care. ($3.1 million FY 20 + $5.8 million FY = $8.9 million)

- If the state moved the state contribution to 55% of the cost of the retiree healthcare program for July 1, 2021, the cost will be approximately $37 million for FY 22 thus leaving approximately $8 million to be directed to the UAL for the plan.
- Carrying forward the 55% into FY 23, the state contribution at 55% would result in an expected cost to the state of $38 million, still leaving approximately $7 million to be contributed to the UAL.
- Over the four years, even with changing the state contribution to 55% for retired teacher health care on July 1, 2021, the state will still contribute $3.6 million more than anticipated.

All this is to say that the Legislature can pass LD 84 and LD 293 without additional costs to the state. We can provide much needed financial relief to retired educators with no additional state appropriation and no additional state contribution.

For all these reasons, the MEA supports both bills and hopes this Committee and the Legislature and the Governor will all work together to make sure retired educators, people who have dedicated their lives to students and public service, can retire with the dignity they deserve and the health care they may need.

Thank you for your service to the state and I am happy to answer any questions you may have.

Average Increase in Premiums	3.64%

LD 84 and LD 293
Expected Annual Cost

Fiscal Year	Estimated annual cost to State without legislative changes (a)	Estimated savings from MEA change to Medicare Advantage Group Plan (b)	Estimated annual cost to State with MEA change to Medicare Advantage Plan (c)	State Share Percentage (d)	Estimated annual cost to State with Enactment of LD 178 (as amended) (e)	Estimated cost of LD 178 (as amended) (f)	Net cost of annual Increase in State share and MEA Plan change (g)	General Fund appropriation for Retired Teachers' Health Insurance Program (h)	Estimated annual cost to State with Enactment of LD 178 (as amended) (i)	General Fund appropriation over (under) estimated annual cost to State with increase in State share and MEA plan change (j)	General Fund amount included in appropriation applied to UAL of retired teachers health insurance plan (k)	General Fund appropriation over (under) estimated annual cost to State with increase in State share and MEA plan change and UAL (l)
			(a + b)		(c / .45) * (d)	(e - c)	(e - a)		(column e)	(h - i)		(h-i-k)
FY20	$31,873,189	$ -	$ 31,873,189	0.45	$ 31,873,189	$ -	**$ -**	$ 45,000,000	$ 31,873,189	$ 13,126,811	$ 10,000,000	$ 3,126,811
FY21	$32,266,964	$ (3,077,432)	$ 29,189,533	0.45	$ 29,189,533	$ 0	**$ (3,077,431)**	$ 45,000,000	$ 29,189,533	$ 15,810,467	$ 10,000,000	$ 5,810,467
FY22	$33,441,481	$ (3,189,450)	$ 30,252,031	0.55	$ 36,974,705	$ 6,722,674	**$ 3,533,224**	$ 45,000,000	$ 36,974,705	$ 8,025,295	$ 10,000,000	$ (1,974,705)
FY23	$34,658,751	$ (3,305,546)	$ 31,353,205	0.55	$ 38,320,584	$ 6,967,379	**$ 3,661,833**	$ 45,000,000	$ 38,320,584	$ 6,679,416	$ 10,000,000	$ (3,320,584)
FY24	$35,920,330	$ (3,425,868)	$ 32,494,462	0.55	$ 39,715,454	$ 7,220,992	**$ 3,795,124**					$ 3,641,988
FY25	$37,227,830	$ (3,550,569)	$ 33,677,261	0.55	$ 41,161,096	$ 7,483,836	**$ 3,933,266**					
FY26	$38,582,923	$ (3,679,810)	$ 34,903,113	0.55	$ 42,659,360	$ 7,756,247	**$ 4,076,437**					
FY27	$39,987,341	$ (3,813,755)	$ 36,173,586	0.55	$ 44,212,161	$ 8,038,575	**$ 4,224,819**					
FY28	$41,442,881	$ (3,952,576)	$ 37,490,305	0.55	$ 45,821,483	$ 8,331,179	**$ 4,378,603**					
FY29	$42,951,401	$ (4,096,450)	$ 38,854,952	0.55	$ 47,489,385	$ 8,634,434	**$ 4,537,984**					
TOTAL		$ (32,091,456)				$ 61,155,315	$ 29,063,859					