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TESTIMONY OF JEFF MCCABE, DIRECTOR OF POLITICS & LEGISLATION, MSEA-SEIU LOCAL 1989, BEFORE THE JOINT STANDING COMMITTEE ON LABOR AND HOUSING

In Support of LD 567, An Act To Amend the Penalty for Early Retirement for Certain Members of the Maine Public Employees Retirement System, Sponsored by Representative Jeff Hanley

10 AM March 8, 2021, Cross Office Building Room 202

Senator Rafferty, Representative Sylvester, members of the Committee on Labor and Housing, I'm Jeff McCabe, Director of Politics & Legislation for the Maine Service Employees Association, Local 1989 of the Service Employees International Union (MSEA-SEIU Local 1989). Maine Service Employees Association is a labor union representing over 13,000 workers and retirees, mainly in the public sector, statewide, including State of Maine workers who participate in the State-Teacher Plan of the Maine Public Employees Retirement System (MainePERS).

I am here in support of LD 567. This bill would help bring about a sliver of economic justice to dozens of State workers and teachers who literally were forced into retirement in 2011 and 2012, with substantial cuts to their retiree pensions in the form of early-retirement penalties, in order to protect the retiree health insurance they were promised as longtime public servants.

In 2011, the prior administration and the 125th Maine Legislature imposed enormous public employee pension cuts and retiree healthcare cuts on State workers and teachers largely to pay for hundreds of millions of dollars in tax breaks mostly benefiting corporations and the wealthiest Mainers. The reason for these cuts in the retirement security of State workers and teachers was documented in a March 1, 2011, Kennebec Journal news report titled "Businesses back tax cuts at hearing on state budget," in which former Maine Department of Administrative and Financial Services commissioner Sawin Millett was quoted in a hearing before the Appropriations Committee as follows: "The pension savings in this budget allows for taxes to be cut by $203 million over the biennium."

Prior to the 2011 cuts to their retirement security, State workers were provided State-paid health insurance after 25 years of service. In 2011, that changed. From that point on, State workers have to work to normal retirement – whether that's age 60, 62 or 65 – to secure State-paid retiree health insurance.

According to the summary of LD 567, under changes made in 1993, employees who were participants of MainePERS as of July 1, 1993, but did not have 10 years of creditable service as of July 1, 1993, are required to have 25 years of creditable service and attain 62 years of age in order to avoid incurring a penalty of 6% of earned benefits for each year the person retires before attaining 62 years of age. Prior to that change, the penalty was 2.25% for each year below 60 years of age the person retired.

Under LD 567, beginning October 1, 2021, the rate of the penalty would change to 2.25% for each year the person was below 62 years of age upon retirement from service. LD 567 would apply that 2.25 percent penalty, rather than the 6 percent penalty, to those state employees who retired between July 1, 2011, and January 1, 2012, and for teachers who retired between July 1, 2011, and July 1, 2012, who had at least 25 years of service on July 1, 2011, but had not attained 62 years of age.

The changes proposed in LD 567 would be prospective; they would take effect Oct. 1, 2021. There wouldn't be any back payments. LD 567 thus is targeted to help those State workers and teachers who literally were forced into retiring in 2011 or 2012 in order to protect their retiree healthcare. Please support LD 567. Thank you and I am happy to answer any questions.