

TESTIMONY

In Support of

LD 620: Resolve, To Develop a Plan for Teachers To Collect Social Security

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Before the Joint Standing Committee on Labor and Housing

March 29th, 2021

Senator Hickman, Representative Sylvester and other esteemed members of the Labor and Housing Committee,

My name is John Kosinski, and I am here on behalf of the Maine Education Association (MEA) to testify in support of LD 620, Resolve, To Develop a Plan for Teachers To Collect Social Security. The MEA represents 24,000 educators in our state including over 5,000 retired educators.

GREAT news! Much of the research and analysis called for in LD 620 has already been done.

In 2011, as part of the biennial state budget, the Legislature and Governor approved a Working Group to develop a new pension system for new hires and/or not yet vested employees. The Working Group was facilitated by the capable staff at the Maine Public Employees Retirement System (MainePERS) and included representatives from the MEA, Maine State Employees Association, Maine School Management, and the State's own Commissioner of the Department of Administrative and Financial Services. In essence, the Working Group was comprised of the most impacted employee representatives and employers.¹

The parameters placed upon the Working Group were well articulated in the biennial budget language – the new pension system had to be Social Security-based and may include a supplemental pension plan that could cost the state no more than 2% of payroll. The discussions were engaging and as we were charged to do, that Working Group developed a plan and submitted that plan to the Legislature.

That is why the MEA approached Senator Maxim late last year and asked her to consider sponsoring a bill to “get the band back together” and reconvene the Working Group to continue these important discussions. That bill, LD

¹ For the final approved language in the budget for the Working Group, please see page 564 of LD 1043, found here: [Be it enacted by the People of the State of Maine as follows: \(mainelegislature.org\)](http://www.mainelegislature.org)

1105 has been printed and referred to the Committee on Labor and Housing. We remain committed to the work of building a new pension system that works better for educators, state employers and our employers.

This bill appears designed to address the issue of the Government Pension Offset/Windfall Elimination Provisions of Social Security, also known as GPO or WEP.² These offsets are devastating for many retired educators. As we hopefully all know, teachers and ed tech IIs and IIIs in Maine's public schools do not pay into and therefore do not qualify for Social Security benefits upon retirement, unless of course they have other jobs either while working in schools or before or after – and many of them do have other jobs besides school employment. However, due to GPO and WEP offsets, many teachers and ed techs IIs and ed tech IIIs who have paid into Social Security are devastated when they learn how any Social Security benefits, they may have earned will be garnished due to these hurtful provisions. (The Government Pension Offset is even more cruel because it impacts the earnings of widows and widowers.)

For decades, the MEA and the National Education Association have exhausted ourselves to find a federal solution to this federal problem to no avail. According to Social Security Fairness, an advocacy organization dedicated to repealing the GPO/WEP provisions, these provisions impact teachers in 15 states.³

We are excited to further interrogate whether a redesign of our MainePERS pension for school and state employees can help mitigate against the GPO/WEP provisions. But there are significant challenges ahead as we contemplate any such change.

First, when the Working Group convened in 2011 and we were charged with developing a new pension system, we immediately confronted the financial challenges of changing to a Social Security-based system. For example, employees in Social Security are expected to pay 6.2% of their earnings into Social Security, whereas under MainePERS educators pay 7.65% of their salary to MainePERS. However, employers pay less than 4% of earnings to MainePERS under our current pension, whereas under Social Security they will be required to pay 6.2%, a significant increase. This point alone shows what a good deal our current pension is for the state and school districts. (It is important to note, these percentages do not reflect payments to the Unfunded Actuarial Liability (UAL) costs of the pension system.) These cost considerations will play a major role in any conversion to a new pension plan.

Second, the 2011 language creating the Working Group capped the state contribution to 2% of salary costs for the supplemental plan and this was simply not sufficient and will need to be augmented to ensure educators can retire with the dignity they deserve.

Despite these challenges and others that were unearthed during the Working Group, the MEA remains excited about the notion of building a better pension system. And this work is not only needed to address the GPO/WEP concerns mentioned already, but also to address the pension changes that occurred because of the budget of 2011. As I have testified before, the changes made to the pension system in 2011 are extremely damaging and we will be feeling the damage for decades to come. One key change was the move to make the normal retirement age 65. If a teacher enters the profession immediately upon graduation from an undergraduate college at 21 or 22 years of age, under the rules passed in 2011, they are expected to work until they are 65 – a whopping 43 years. Not everyone is going to be able to teach for 43 years. And we can expect given the workforce shortages we are already seeing in schools, we will need to recruit others to consider entering the teaching profession. Most likely, new recruits who

² You can find more about the Government Pension Offsets under Social Security here [Government Pension Offset \(ssa.gov\)](https://ssa.gov) and information about the Windfall Elimination Provisions here: [EN-05-10045 - Windfall Elimination Provision - January 2021 \(ssa.gov\)](https://ssa.gov)

³ Social Security Fairness found here: [GPO WEP FAQ \(ssfairness.org\)](https://ssfairness.org)

come to work in schools will enter as a second career and more than likely, their first career will be a Social Security based position – thus making the GPO/WEP provisions of Social Security even more urgent to fix.

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