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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 703, An Act To Increase the Amount to Which a State Employee or Teacher Retiree's Cost-of-living Adjustment Is Applied from $20,000 to the Retiree's Actual Retirement Benefit, Sponsored by Representative Richard Pickett

10 AM March 29, 2021, Cross Office Building Room 202

Senator Hickman, 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.

I am here in support of LD 703. This legislation provides that cost-of-living adjustment, or COLA, increases for retired state employees and teachers and their beneficiaries apply to a retiree's entire pension instead of only the first $20,000 of pension income.

Many of you may know that in 2011, over the strenuous objections of members of our union, the prior administration and the 125th Maine Legislature imposed enormous public employee pension cuts and retiree healthcare cuts on state workers and teachers. These cuts largely paid 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."

The 2011 pension cuts took multiple forms with devastating consequences; they put Maine's retired state workers and teachers behind the cost of living. A full 10 years later, these retirees are still behind the cost of living. So, in your decision-making on LD 703, we respectfully ask you to keep in mind the full scope of the 2011 pension cuts. As you will see, the retiree COLA cut that LD 703 addresses is just one of the many cuts that weakened the retirement security of retired state workers:

• 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.

• For state workers hired on or after July 1, 2011, and for those not vested in the retirement system by that date, their retirement age became 65 and state contributions toward their retiree health insurance begin at age 65.

• For state workers hired on or after July 1, 2011, their vesting for retiree health insurance would be as follows: 10 years, up to 50 percent; 15 years, up to 75 percent; and 20 years, up to 100 percent.

• Retiree cost of living adjustments to the pensions of retired state workers and retired teachers were frozen for three years.

• Prior to the 2011 pension cuts, retired state workers and teachers were eligible for cost of living adjustments of up to 4 percent, unless a higher amount was authorized by the Legislature, on their full pensions. However, the 2011 pension cuts capped retiree cost of living adjustments, or COLAs, at 3 percent on the first $20,000 of pension income indexed for inflation. LD 703 would change that by making a retiree's entire pension income applicable for COLA-calculation purposes, as it was prior to the 2011 pension cuts.

This is an issue of fairness. You also need to know that for most retired state workers and retired teachers, the pensions they paid into through the Maine Public Employees Retirement System are their primary, and in many cases, their sole source of retirement income. Many retired state workers and retired teachers don't collect Social Security; if they do, it is a minimal amount. Their MainePERS pension is the equivalent of their Social Security. Many retired state workers believed that when they came to work for the State of Maine and became career public servants, they had entered into a contract with the State. In essence, they traded their working lives for the retirement security promised to them when they began their careers.

In 2011, however, when the retiree COLAs were cut from 4% to 3% and subsequently frozen for three years, and the retirement age was raised yet again, to age 65, they realized once again that promise could be broken. LD 703 seeks to restore a portion of that promise by providing retired state workers and retired teachers with a cost of living adjustment on their entire pensions, not just a portion of it. Passing LD 703 will help retired state workers and teachers catch up with the rising cost of living. It's the right thing to do, and it merely provides our retired state workers and retired teachers with what they've already earned. Thank you for your time and I am happy to answer any questions.