

TESTIMONY

In Support of

LD 1105: Resolve, Directing the Maine Public Employees Retirement System To Convene a Working Group To Investigate Public Pension Options

John Kosinski, Government Relations Director, Maine Education Association

Before the Joint Standing Committee on Labor and Housing

April 9th, 2021

Senator Hickman, Representative Sylvester and other 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 1105, Resolve, Directing the Maine Public Employees Retirement System To Convene a Working Group To Investigate Public Pension Options. The MEA represents 24,000 educators in our state, including over 5,000 retired educators.

In my testimony before this Committee on March 29th regarding LD 620, Resolve, To Develop a Plan for Teachers To Collect Social Security, I referenced the Working Group that was convened as called for in the 2011 budget – a Working Group comprised of labor unions (Maine Education Association, Maine State Employees) and employers (Maine School Management Associations, Department of Administration and Financial Services). The staff and leadership at the Maine Public Employees Retirement System facilitated the discussions.

At issue was the need to design a new pension system for new hires and those not yet vested – a pension system that was portable, Social Security based, while ensuring public servants can retire with the dignity they deserve. While the group did tremendous work, there were parameters placed on it by the language in the budget that made the task extremely challenging. Specifically, the Appropriations Committee placed a cap of 2% of salary costs as part of a retirement plan for public servants, and this became extremely problematic in creating a new pension system that would be comparable to our current plan.

It is important to remember that the current normal cost for retirement for school districts is 4.16% for the next fiscal year and will drop to 3.84% for FY22-23, whereby a move to a Social Security system will result in an increase to 6.2% -- once again underscoring the solid deal MainePERS is for employers. Currently, teachers and ed techs IIs and IIIs pay 7.65% of their salary for retirement, and a change to Social Security would require them to pay at least 6.2% for their share of Social Security.

LD 1105 is intended to bring the Working Group together again to restart this discussion with MainePERS and employers. And now is the opportune time to begin the necessary planning for any potential transition. The retirement of the Unfunded Actuarial Liability (UAL) is in sight. The staff at MainePERS can explain more but Maine's Constitution specifies that the UAL accrued prior to 1996 must be paid off by 2028.

From Maine State Constitution Article IX:

Section 18-B. Payment of unfunded liabilities of the Maine State Retirement System. Each fiscal year beginning with the fiscal year starting July 1, 1997, the Legislature shall appropriate funds that will retire in 31 years or less the unfunded liabilities of the Maine State Retirement System that are attributable to state employees and teachers. The unfunded liabilities referred to in this section are those determined by the Maine State Retirement System's actuaries and certified by the Board of Trustees of the Maine State Retirement System as of June 30, 1996.

While this may have seemed long ago when this constitutional amendment passed, we are now getting closer to this date and now is the time to begin preparing how best to use the resources the retirement of the UAL creates to build the portable pension system public employees need and public employers want. According to the Maine Public Employees Retirement System in an analysis dated July of 2018, the cost of the UAL will begin to decline precipitously in the coming years, thus presenting the best opportunity to build a better pension system.¹

The MEA is eager to engage in this work with our partners and we hope the Committee will vote ought to pass so we can officially begin the work necessary to develop a pension system that better meets the needs of future educators and public servants.

Thank you for your time and I am happy to answer any questions you may have.

¹ To view the analysis prepared by the Office of Fiscal and Program Review, please see: [2479 \(maine.gov\)](https://www.maine.gov)