

Testimony of Jeff McCabe

Maine Service Employees Association, SEIU Local 1989

Before the Joint Standing Committee on Labor and Housing

10 a.m. April 9, 2021, Cross Office Building 202

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

Sponsored by Senator Chloe Maxmin

Senator Hickman, Representative Sylvester, members of the Labor and Housing Committee, I'm Jeff McCabe, Director of Politics and Legislation for the Maine Service Employees Association, Service Employees International Union Local 1989. We are a labor union representing over 13,000 public sector and publicly funded workers and retired workers statewide, including thousands of participants in the Maine Public Employees Retirement System (MainePERS). We urge you to support LD 1105, Resolve, Directing the Maine Public Employees Retirement System To Convene a Working Group To Investigate Public Pension Options.

This resolve directs MainePERS to convene a working group of representatives of public employers, including the State and school administrative units, and public employees, including the Maine Education Association and our union, to work together to develop new designs for public employee pensions that are based on Social Security and have comparable benefits to the current defined benefit plan. The working group must submit to the Legislature no later than December 1, 2021, a report containing options for public pensions developed by the working group and proposed plans and timelines for implementation.

In order to understand why LD 1105 is necessary, you need to know that thousands of our members who work as public servants in Maine and participate in MainePERS are harmed or will be harmed by two federal laws: the federal Government Pension Offset (GPO) and the federal Windfall Elimination Provision (WEP) impacting their ability to receive the Social Security benefits they or their spouses paid into. Collectively, these two federal laws are known as the Social Security Offsets.

These provisions unfairly penalize hard-working public servants who have earned a secure retirement. By deterring workers from pursuing a career in public service, the provisions also contribute to the ongoing recruitment and retention problems that Maine State Government and other public employers have experienced for many years. Members of our union support a full repeal of the GPO and WEP, both of which rob public service workers and their spouses of the benefits they have earned in retirement.

The vast majority of retirees who are harmed by the GPO and WEP are public sector workers. Nine out of 10 public employees not covered by Social Security are state and local government workers. The reason for this is a fourth of public sector workers do not pay taxes into the Social Security system on their current earnings because they typically receive a defined benefit

pension plan. Even though they do not pay Social Security taxes on their current government earnings, these workers may still be eligible for Social Security benefits through their spouses or their own earnings from other covered employment.

The Government Pension Offset reduces public employees' Social Security or survivor benefits by an amount equal to two-thirds of their public pensions. As a result, the GPO sharply reduces – and in most cases eliminates – the Social Security spousal benefit for workers who receive public pensions, even though their deceased spouse paid Social Security taxes for many years. Impacted individuals can lose an average of \$3,600 a year due to the GPO – an amount that can make the difference between self-sufficiency and poverty. In states where a high proportion of public employees work outside of Social Security, the effects of the GPO/WEP provisions are profound. GPO affects government employees and retirees in every state, but the impact is most acute in 15 states: Alaska, California, Colorado, Connecticut, Georgia (in certain local governments), Illinois, Louisiana, Kentucky (in certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island (in certain local governments) and Texas.

Participants in MainePERS also are impacted the federal Windfall Elimination Provision (WEP). The Windfall Elimination Provision changes the formula used to calculate benefit amounts retirees earned while working in a system covered by Social Security. This provision affects people who earned a pension working for a government agency and also worked at jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits.

In short, the WEP chips away at the retirement benefits of a retiree who worked both in the private and public sectors.

For years, members of MSEA-SEIU Local 1989 and our international union, the 2-million member Service Employees International Union, SEIU, have strongly supported, and continue to support, federal legislation to repeal both the GPO and WEP, allowing public employees to collect the benefits they have earned upon retirement. We appreciate the 2019 joint resolution the 129th Maine Legislature passed, introduced by then-Representative Maxmin, demanding repeal of the Offsets. That resolution is formally known as HP 1204, Joint Resolution Memorializing the President and Congress of the United States to Support the Reform of the Social Security Offsets of the Government Pension Offset and the Windfall Elimination Provision. http://www.mainelegislature.org/legis/bills/bills_129th/billtexts/HP120401.asp

Yet despite that resolution, these unfair federal laws still remain on the books. As such, we support LD 1105 to find a way to help ensure retirement security for future retirees under a potential Social Security-based public employee pension system. Thank you and I would be glad to answer any questions.