April 19, 2023

Public Testimony on LD 1499

Sen. Tipping, Rep. Roeder and members of the Committee on Labor and Housing. My name is Steven R. Keaten and I'm a lifelong resident of Maine. I grew up in Somerset County and have lived for the past 34 years in China, Maine. Thank you for letting me testify in favor of LD 1499.

I'm a retired state employee having retired on December 29th, 2011 at the age of 55 ½ years. I retired with a penalty of 42 percent in my MEPERS pension after having worked just short of 28 years as a state employee. I retired due to 2011 changes to state paid health insurance benefits for long time teachers and state employees.

I started state service in Sept., 1984 and was told/notified at that time of hire how my pension and health insurance would work once retired.

All that changed in 1991 and 1993. In 1991 legislation was passed that increased the retirement age from 60 to 62; increased the penalty for early retirement from 2.25% to 6.00% per year for every year you retired before your normal retirement age and changed when you would receive a COLA after retirement from one year after retirement to no COLA until one year after your normal retirement age. In 1991 these changes would affect those teachers and state employees who had less than 7 years of service. At that point in time, I made that cut. I thought I survived the changes as I had just over 7 years of service. Then in 1993, just two years later they came back for more and Legislation was passed that extended the 7 years to 10 years of service or what was considered at that time the number of years you were considered vested in the retirement system at the time. This additional change got me as in 1993 I only had 9 plus years of creditable service. I became a cliff person along with thousands of teachers and state employees and quite frankly it hurt like hell because the State did not want to honor and keep their promises.

In 1999 something positive happened and Legislation was passed that a teacher and state employee was now considered vested after just 5 years of creditable service, but that legislation did not go back and fix what vested time under the 1991 and 1993 legislative changes. If it had I wouldn't be here today. They remained it at 10 years to be considered vested.

So why am I here? I'm here today because in 2011 more legislation was passed that affected your retirement package. The retirement age was raised from 62-65 if you did not have 5 years of creditable service thus creating a third tier of retirees in the MEPERS plan for teachers and state employees. Also caps on COLA's were lowered from 4% to 3% along with a COLA freeze for a couple years. A cap of $20,000 was placed on the amount one would be get their COLA on. And the straw that broke the camel's back for many teachers and state employees was when you could retire and still be covered with the state paying part or all your health insurance after retirement. Before the 2011 legislation a retiree was promised coverage upon retirement with 25 years or more of creditable service no matter then they retired. It got changed to no state paid health insurance until you retired at your normal retirement age depending on the plan you were in 60, 62 or 65.

Never has a benefit been changed on you once you were considered vested. In order to keep that promised health insurance coverage you had one chance before the change took effect. Teachers had to retire between 07/01/2011 and 07/01/2012 and state employees had to retire between 07/01/2011 and 01/01/2012. Retiring after these dates meant you had to work to your normal retirement age of 60, 62 or 65 depending under what plan your vested under. Maybe that was the plan all along to have an entrapped workforce.

In 2014 as a retiree, I asked my Union (MSEA/SEIU Local 1989), to find out from MEPERS how many teachers and state employees retired within the timeline to retain their promise of paid health insurance upon retirement and suffered the 6 % penalty for each year they retired or those under the 62-year plan. Those that retired under the 60-year plan only suffered the 2.25% per year penalty. Following is the breakdown of those who took a 6% penalty per year and the total penalty they took:

% Penalty		6%	12%	18%	24%	30%	36%	42%	48%	54%	60%	66%	72%	78%	84%	90%	96%	Total
Teacher	07/01/11-07/01/12	14	16	10	3	4	1	0	0	0	1	2	0	0	0	0	0	51
State	07/01/11-01/01/12	7	5	6	5	11	4	6	7	2	6	2	0	1	0	3	0	65

As you can see teachers and state employees suffered substantial penalties under the 62-year retirement plan. From 6% -90 % depending on their age at retirement. These are all people who had at least 25 years of creditable service when the benefit was changed.

I don't know the reason other people retired and took huge cuts to their pensions. All I know is why I did. I retired because of several factors. My health at the time of my decision, the death of my son a few years earlier, stress on the job because I no longer felt or trusted that my job or benefits were secure under the administration at the time. Every two years a bill would be introduced that would eliminate my position and later in 2011 came close to happening but by one vote in the legislature. The question I faced was retire with a penalty and have the promised health insurance or risk staying only to lose my job before I turned 62 and be without health insurance and still a huge penalty. It was a decision I did not want to make, or anyone should have to make.

In past years when Governors wanted to reduce the workforce an incentive was offered but that didn't happen nor were we grandfathered from the changes because we were vested.

When you get close to retirement you want to have the protection of your pension and health insurance. To this day I still don't know how this change saved money in the budget. I know my job was filled shortly after I retired thus having to pay my retiree health insurance and my replacement.

I knew it was going to be tight to survive. I had approximately $50,000 saved to fall back on but it was gone quick with having to pay huge deductibles over the first few years. (Compound fracture of my right ankle, gallbladder operation, cancer scare, etc. Right after retirement insufficient funding to the health insurance program occurred thereby increasing co-pays, deductibles and yearly maximum out-of-pocket costs.

LD 1499 is not asking to change the retirement age, it's not asking to increase the COLAs that were taken away, it's simply asking that going forward those teachers and state employees that were impacted on the health insurance change be allowed a little dignity by reconfiguring their pension penalty at the 2.25% per year instead of the 6% penalty per year they received. For example, my 42% penalty under this LD would be reduced to 15.75% (2.25% times 7 years) which is still a huge amount. In the twelve plus years since I've retired. I estimate the State has already profited by a reduction to my pension at $120,000. Thank you and I'm open for any question.

Steven R. Keaten

China, Maine