Testimony of Richard W. Rosen, Commissioner
Department of Administrative and Financial Services

Regarding the Department of Education, Teacher Retirement Program

Before the Joint Standing Committee on Appropriations and Financial Affairs

LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019"

March 8, 2017

Good morning Senator Hamper, Representative Gattine, and Members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Richard Rosen, and I am the commissioner of the Department of Administrative and Financial Services. I am here today to present the portion of the biennial budget relating to the Department of Education's Teacher Retirement Program.

This Program provides funds for the State's share of pensions for Maine's retired teachers. Teachers are employed by the local school administrative units across the state. Just as the state provides funding for school programs, it also provides funding of the benefits paid to retired teachers. These funds are paid directly to the Maine Public Employees' Retirement System rather than to the individual school administrative units.

This Program, which can be found on page A-213, contains a baseline budget of over $116 million for these benefits. There is one initiative that increases the General Fund appropriation by $13 million in fiscal year 2018 and $16.5 million in fiscal year 2019 to fund the actuarially projected increases in retired teachers' benefits. All funds are passed through the Department of Education to the Maine Public Employees Retirement System; none of the funds are retained within the Department.

This concludes my testimony. I am happy to address any questions you may have.

Testimony of Richard W. Rosen, Commissioner
Department of Administrative and Financial Services

Regarding the Maine Public Employees Retirement System

Before the Joint Standing Committee on Appropriations and Financial Affairs

LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019"

March 8, 2017

Good morning Senator Hamper, Representative Gattine, and Members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Richard Rosen, and I am the commissioner of the Department of Administrative and Financial Services. I am here today to present the portion of the biennial budget relating to the Maine Public Employees Retirement System.

There are two programs in Part A of the bill, and these begin on page A-565. The first program is the Retirement Allowance Fund, which provides retirement benefits to retired governors, judges who retired before 1984, and any surviving spouses. This program is currently funding benefits to five former governors and two spouses of retired judges. The baseline budget is $554,396 in each year, and there are three initiatives that ultimately reduce the program by nearly half. The changes are proposed based on the actuarial projection for each group and the available funding.

The first initiative makes slight adjustments in each year for retired governors. Fiscal year 2018 is reduced by a little more than $1,300 and fiscal year 2019 is increased by nearly $2,000. The second initiative reduces funds for the surviving spouses of judges who retired before 1984. This reduction of over $160,000 in fiscal year 2018 and just over $146,000 in fiscal year 2019 is based on the remaining beneficiaries in the program. The final initiative further reduces funding on a one-time basis for the same group based on the ability to use existing funds available within the Retirement Allowance Fund.

The second program is the Subsidized Military Service Credit. Under Maine law, eligible members may purchase military service credit toward increasing their total service credit. The 2016-2017 biennial budget included funding for subsidized military purchases for the then-remaining members who had requested to make a military service credit purchase under the subsidized provisions. The Maine Public Employees Retirement System submitted the annual report that is required to be prepared regarding military service credit purchase requests on February 10, 2017 to the Appropriations Committee. Consistent with that report, there is no requested funding in this program.

The next item on the agenda is Part HH, which can be found on page 112. Part HH holds the pension benefits for retired state employees and teachers at their current level for the next two years. The savings achieved by not issuing the cost of living increase in these years would be dedicated to reducing the unfunded actuarial liability for these pension benefits.

The June 30, 2016 Actuarial Valuation Report for the State Employee and Teacher Retirement Program states that the unfunded actuarial liability increased last year by $316 million to over $2.5 billion. The report can be found on the MEPERS website. The holding of pension benefits at the current level is one step towards decreasing the unfunded actuarial liability. By holding steady on retirement benefits paid, but increasing the state contribution to the fund, the unfunded liability is reduced.

It is also important to recognize that the elimination of the COLA freeze is not a budget cutting tool; the budgeted state contribution for retirement benefits has been increased in accordance with the law. None of the savings will be used to reduce state expenditures, nor will they be used for other initiatives, such as tax reform. All savings will be dedicated to reducing the unfunded liability of the retirement trust fund.

The COLA is applied to a statutory maximum of $20,940, or to the retiree's current benefit amount, whichever is lower. The percentage increase is capped at 3 percent, but could be lower based on the annual change in the Consumer Price Index for All Urban Consumers, or CPI-U. This means that the maximum a retiree would receive is $682. Historically, cost of living adjustments, or COLAs, have been less than the 3 percent, so the actual increase for each person would also be less.

This proposal seeks to balance the needs of our current retirees and the needs of all retirees to come. Reducing the unfunded actuarial liability and having a retirement trust fund that remains solvent is vital to being able to pay future benefits.

As I mentioned earlier, the unfunded actuarial liability increased more than 10 percent last fiscal year. While we are in a better place than we were 20 years ago, we must remain focused on reducing the unfunded liability. Our ability to pay down this liability will take another decade, assuming no major variances from the actuarial calculation. Economic downturns or unexpected payouts will require the State to contribute significantly larger contributions to the unfunded liability as we approach 2028. In the case of an economic downturn, these increased contributions will come at a time when budgets are tight and the State of Maine can least afford them. Small changes now have a big impact in the future.

The hold on the COLA increase can have a positive impact on the future health of the trust fund. Offsetting the lost income to retirees with reduced taxes is a way to make Maine affordable for retirees now and to ensure it continues to be so in the future.

This concludes my testimony. I am happy to address any questions you may have.

Testimony of Richard W. Rosen, Commissioner
Department of Administrative and Financial Services

Before the Joint Standing Committee on Appropriations and Financial Affairs

LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019"

March 8, 2017

Good morning Senator Hamper, Representative Gattine, and Members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Richard Rosen, and I am the commissioner of the Department of Administrative and Financial Services, or DAFS for short. I am here today to present certain portions of the biennial budget relating to DAFS.

The first Program on today's agenda is the Executive Branch Departments and Independent Agencies – Statewide Program, which is on page A-17 of the budget document. This Program is used to capture initiatives that have budgetary impacts across the executive branch that have yet to be factored in to each agency's individual programs. The budget changes are typically the result of proposed law changes that are included in the bill, and the two initiatives on this page are no exception. I'd like to discuss the proposed law changes along with the initiatives, and will take those items slightly out of order.

The first of the initiatives reduces the General Fund appropriation statewide by over $12 million in each fiscal year as a result of increasing the budgeted attrition rate for the upcoming biennium. This reduction is the result of proposed changes in Part X, which begins on page 105. Part X increases the budgeted attrition rate from 1.6 percent to 5 percent for the 2018-19 biennium for the executive and judicial branches, and returns the rate to 1.6 percent for future biennia. There is one exception proposed and that is to budget 0 percent attrition for the District Attorneys Salaries program within the Department of the Attorney General.

Budgeting for attrition is a means for recognizing savings that happen when we have turnover within our state staff. Turnover is inevitable, and there is usually a gap between the time when an employee gives and fulfills their notice and when a new employee is hired. Knowing just how much to budget in each biennium is difficult, so by default, we budget a relatively low number. During difficult economic times, the 1.6 percent attrition is very realistic, as fewer people are moving between jobs. With better economic times, there is increased turnover and budgeting for a higher level of attrition is feasible. The 5 percent rate is consistent with what the State of Maine – as an employer - is currently experiencing.

The second initiative is related to Part EE, which is on page 109. Part EE directs the Bureau of the Budget to review executive branch positions with the intent of identifying $3.5 million in General Fund, permanent savings in the second year of the biennium. DAFS will provide a report to this Committee by July 1, 2018 identifying the positions to be eliminated and the savings to be achieved. The proposed law and the General Fund reduction are part of the Governor's overarching goal of reducing the size of state government and reducing the need for the state's income tax. By proposing this reduction for fiscal year 2019, the Bureau of the Budget has sufficient time to work with each agency to develop a realistic plan for reaching this target.

The next Program is the General Fund Reserve and Fixed Transfer Fund, which is on page A-20 of the budget document. The $9.5 million that is appropriated in this Program is related to Part M, which can be found beginning on page 63. Part M provides for changes in transfers for the Retiree Health Insurance Internal Service Fund, the Loan Insurance Reserve, the Reserve for General Fund Operating Capital, the Capital Construction and Improvements Reserve Fund, and the Maine Budget Stabilization Fund.

Section M-4 amends the statute governing the use of excess General Fund revenues, which is often referred to as the fiscal year end "cascade". The current statute provides for set transfers from the unappropriated surplus of the General Fund to four specific accounts, and then any remaining amount is transferred to the Maine Budget Stabilization Fund and the Tax Relief Fund for Maine Residents. The proposed change removes three of the four set transfers. These three transfers become part of the annual $9.5 million appropriation through Section M-2.

Section M-2 first establishes the General Fund Reserve and Fixed Transfer Fund, and further states that no resources in the Fund may be transferred to other appropriations by financial order. Section M-2, paragraph 2 identifies the five transfers to come from the $9.5 million in the Fund.

The first transfer is up to $1 million for the Loan Insurance Reserve Fund to support the Finance Authority of Maine Mortgage Insurance Fund. Funding for the Loan Insurance Reserve Fund remains the same, only the transfer shifts from the fiscal year-end General Fund unappropriated surplus to the beginning of the fiscal year through the General Fund Reserve and Fixed Transfer Fund. By changing the funding of the transfer to an appropriation, we ensure that the transfer occurs by not relying on unappropriated surplus.

Similarly, the second transfer is for $2.5 million to the Reserve for General Fund Operating Capital. This too is not a change in funding level, only a change in the funding mechanism. Consistent with current language, this transfer will continue until the Reserve for General Fund Operating Capital reaches $50 million, as noted in Section M-3. The Reserve for General Fund Operating Capital currently has a balance of $9.9 million.

The third transfer is also moved from the year-end cascade to the General Fund appropriation, although in this case the amount is changing as well. Section M-2 includes the transfer to the Retiree Health Insurance Fund in the General Fund appropriation, while Section M-1 modifies the amount of the transfer. Current law directs that $4 million will be transferred this coming June 30, and then $2 million in each subsequent year. The proposal changes this to $2.5 million this coming July 1 and each year thereafter. While the upcoming transfer is less, the ongoing transfer is increased. In the long-run, this provides more funding that will be used solely for reducing the unfunded liability for retiree health benefits. More information on the unfunded liability can be found in the actuarial report on the Office of the State Controller website.

The fourth transfer provides $1 million to the Capital Construction and Improvements Reserve Fund, which is used for capital improvements on state facilities. The Capital Construction and Improvements Reserve Fund had previously been included in the year-end cascade, but was removed in the 2016-17 biennial budget after a one-time appropriation was made. The direct appropriation in the current biennium, and this fixed transfer going forward, are intended to provide a more consistent funding source for the upkeep of state-owned facilities.

The final transfer to be included is a $2.5 million annual transfer to the Maine Budget Stabilization Fund. This transfer provides a steady source of funding to slowly increase the balance in the Budget Stabilization Fund, with the goal of reaching the ceiling of 18 percent of annual General Fund revenues. The current balance in the Maine Budget Stabilization Fund is $122.9 million, with a forthcoming deposit of $35 million scheduled to take place when the fiscal year 2017 supplemental budget becomes law.

The Budget Stabilization Fund acts as the State of Maine's savings account. It is a reserve balance that is set aside in good economic times to protect the state budget from the volatile changes in revenues that can occur when the economy unexpectedly slows. The goal of the Fund is to reduce the effect on the operation of and services provided by state government during sudden economic downturns.

The next proposed law change is in Part N, and I would like to momentarily skip over this part. Dr. Michael Allen, who is my deputy commissioner of finance and the chair of the Revenue Forecasting Committee, is here to provide testimony on Part N.

The final item on today's agenda is Part DD, which can be found on page 109. This part authorizes the Department to review its staffing needs after the implementation of the state's new human resources and payroll system. The current system is over 20 years old and is heavily paper driven. New functionality will allow for more self-service features, and will reduce transaction processing. Initial implementation will occur in January 2018, with additional phases scheduled throughout calendar year 2018. Once implemented, we anticipate needing fewer positions to process human resources and payroll transactions. The language provides the Department with the ability to assess the actual impact the system will have on operations and on positions, and then reduce the position count by financial order. The adjustments submitted by financial order will be considered permanent adjustments to the Department's legislative headcount.

This concludes my testimony. I am happy to address any questions you may have.

Testimony of Dr. Michael J. Allen
Deputy Commissioner of Finance
Department of Administrative and Financial Services

Before the Joint Standing Committee on Appropriations and Financial Affairs

LD 390, "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2018 and June 30, 2019"

March 8, 2017

Good morning Senator Hamper, Representative Gattine, and Members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Michael Allen, and I am the deputy commissioner of finance of the Department of Administrative and Financial Services. I am here today to present the changes proposed in the biennial budget for the Consensus Economic Forecasting Commission.

The changes to the Commission are included in Part N, which can be found beginning on page 65. During the summer of 2016, the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee held their annual joint meeting, at which one of the topics was a review of the statutes governing the responsibilities of the Commission. The changes before you in Part N came at the request of the CEFC based on those discussions.

Section N-1 establishes staggered terms for the five members, beginning with the next appointment term in January 2019. At that time, three members would be appointed to two-year terms, and the two others would be appointed to one-year terms. By establishing staggered terms, the CEFC avoids the potential for five new members on the Commission; there is some guarantee of continuity among the members.

Section N-2 would enact changes to the timing and the type of projections made by the Commission. Regarding the timing, the forecast is changed to mirror the state's revenue forecasting process, covering the current and two upcoming biennia. This covers the upcoming four-year cycle, rather than the 5-year and 10-year cycle currently required. In addition, the November and April reports that lead up to the enactment of a biennial budget will be dedicated to reporting on the economic assumptions that go into that budget. The two reports that follow the enactment of a biennial budget would be dedicated to adjustments to the original projection. Along with a February 1 updated report, the Commission would also provide a report containing at least two other economic forecasts with varying levels of an economic downturn. These projections would serve as a basis for a "stress test" on the state's General Fund revenue.

Sections N-3 and N-5 reduce the number of statutorily required meetings of the Commission and the Revenue Forecasting Committee each from four to three. These changes would make the statutory requirements consistent with the historical purpose of the two committees. There is no change in the ability of either the Commission or the Committee to call additional meetings over the course of the year.

Section N-4 adds a new requirement for the Commission, in partnership with the Revenue Forecasting Committee, to complete stress tests on the state's General Fund revenues using the different economic scenarios described in Section N-2. A report will be submitted to the Governor, to the Legislative Council, and to the Appropriations and Financial Affairs Committee that describes the impact of these scenarios on the General Fund revenue, the Budget Stabilization Fund, and the extent to which the reserves in the Budget Stabilization Fund can offset the potential General Fund revenue shortfall. This is a vital tool to better inform those who work on Maine's biennial budget and will prove invaluable during the next economic downturn.

This concludes my testimony. I would be happy to address any questions you may have.

Hello Honorable Senators and Representatives,

My name is Crystal Ward I am a retired teacher from Lewiston and the Legislative chairperson for MEA-Retired. We are in opposition to the Governor's proposed two-year freeze in retired teachers Cost Of Living Allowance (COLA). The money "saved" would be used to pay down the UAL (unfunded actuarial liability). The UAL is the amount of money the STATE of MAINE owes to MainePers. Again, the very people who paid every cent they owed to MainePers are being made to also pay the State of Maine's contribution.

> *11.2A RETIREMENT - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM*
> *All employees, except certain appointed officials, are required to join the Maine Public Employees Retirement System (MainePERS). As a member of the Maine Public Employees Retirement System, you contribute,* ***along with the State of Maine, to both retirement and life insurance benefits.*** *These benefits include:*
>
> ***<u>Service Retirement Benefit</u>*** *- Most state employees currently contribute 7.65% of their total earnable compensation into the MainePERS. (Employees in the AFSCME bargaining unit, Confidential employees, and some others contribute 1.15%.)* ***The State, on behalf of all state employees, contributes an additional amount as a percentage of employees' total earnings***

Cost of living refers to the amount of money required to maintain a standard of living, accounting for basics like housing, food, taxes and health care. Increases (or decreases) in the price of these necessities affect the cost of maintaining your standard of living, and this in turn shapes how well your income will support you. Over time, inflation and increasing prices for goods and services can seriously erode pension benefits for retirees living on a fixed income. If monthly income remains relatively the same while basic costs – food, shelter, healthcare, taxes – increase, retirees find themselves less able to pay bills. This has been happening since changes were made in 2011. Their purchasing power has been eaten away by inflation. Retirement fixed incomes that *do* increase with the cost of living, due to a COLA, will retain more purchasing power as inflation increases as long as their COLA formula is maintained. In 2011, Maine changed the formula used to figure COLAs--COLA's are NOT figures on your entire pension amount. In 2016, the COLA was figures on only the first $20.970.71 of an eligible retiree's benefit. The purchasing power of retirees on fixed incomes has considerably declined and this erosion in purchasing power will only get worse with two more years of frozen COLA's, making it increasingly difficult to pay the bills.

The 2011 COLA formula changes, earlier frozen COLA's and this two-year COLA freeze will only increase the number of retirees having to make decisions about being able to pay for prescription drugs that are skyrocketing or going without, paying property taxes or selling their homes, paying for health insurance or going to a very high deductible policy, doing needed home repairs or keeping a 15-year-old car on the road.

Please do not vote to support the two-year COLA freeze in the proposed budget.
Thank you, Crystal Ward—cward10@roadrunner.com

March 8th

February 6, 2017

Rep. Donna R. Doore
49 Pleasant Hill Road,
Augusta ME 04330-8231

Dear Representative Doore,

The proposed two year budget from the Governor cuts retiree pensions by freezing COLAs for an additional two years. At the same time the Governor proposes to cut pensions, he also proposes to give more tax cuts to the wealthiest Mainers.

1. The Governor proposes to move an additional $35 million into the Rainy Day Fund. Instead of moving more money into the Rainy Day Fund, please make sure retirees get the cost of living increase they deserve.
2. Please fight for retirees. Retired teachers shouldn't be forced to pay for huge tax cuts for the rich. This is absurd. Retirees have paid enough and any cuts will have drastic consequences.
3. You are familiar with all the arguments favoring COLA.

A personal statement: I am 80 years old. I have survived two recent cancer surgeries. I am partially crippled by arthritis. I worked until 2014. I am not physically able to work anymore.

My 2011 net pension was about $1950 monthly. My most current monthly net stipend is a bit over $1800. $100 is not a lot of money if you have $100. It is a lot if you don't have $100.

I have been forced to cut health procedures for chronic pain and fatigue not covered by insurance.

Household appliances are old and failing. My 2005 vehicle has 140,000 miles and requires continual maintenance. I lack the money to replace them. The income uncertainty created by the Legislature precludes any loans. I must hire workers for chores I am no longer physically fit to perform.

Any income I receive is subject to state income tax. It is spent here in Maine. What I spend is subject to various state sales & use taxes. The recipients of my expenditures are subject to corporate and individual income taxes etc. COLA is not as expensive to the state as some legislators would have us believe.

Thank you for your service.

[redacted]

[redacted]

Testimony in **OPPOSITION** to LD 390, HP 281, Part HH, Eliminating Cost-of-Living Adjustments to Retirement Benefits for State Employees and Teachers for fiscal years 2018 and 2019.

Senator Hamper, Representative Gattine, Ladies and Gentlemen of the Joint Committee on Appropriations and Financial Affairs:

My name is Jerry Nault, I am a Regional Director at the Maine Association of Retirees. I am here to speak in opposition to Part HH, LD 390, which proposes to eliminate cost of living adjustments to retirement benefits for state employees and teachers for fiscal years 2018 and 2019. Others from MAR, including state employees and teachers, will offer their thoughts in opposition; however my remarks are pointed specifically to the provision of using "savings" to reduce the unfunded actuarial liability in the State and Teacher Retirement Program.

As you may be aware, the unfunded actuarial liability shortfall is partially the result of poor performance of investments held by the retirement system and has been ongoing for a number of years, mirroring similar returns on funds held by like organizations across the country. The Maine Public Employees Retirement System, or MEPERS, reports these actual results as they unfavorably effect the unfunded liability; actual fund earnings fail to reach target projections for financial return. Incidentally, had performance exceeded projections, it would have a favorable effect on unfunded liability, but, I'm sure we would not be considering providing a "bonus" to plan members by distributing any overage.

The Retirement System's report of fund performance as this effects the unfunded liability is influenced by a conservative and very short term "smoothing period" which could cause dramatic changes in unfunded liability amounts. The result, a relative short term "boom" or "bust" result, is tied to performance in the immediate years. Because of the recent performance, that short-term result has been a "bust."

It's possible that the result could be changed and the "whipsaw" effect of short-term influences of performance would be mitigated if MEPERS adopted a longer term window in which to measure the effect of fund performance on the unfunded liability amount.

I would strongly urge the Legislature to engage MEPERS in a meaningful discussion related to measurement and statement of unfunded liability using a less conservative and longer smoothing period which is more consistent with industry norms. This approach might very well produce a better result not requiring consideration of the proposed legislation.

March 8. 2017

Senator Hamper, Representative Gattine and Committee members. Thank you for the opportunity to speak today.

My name is Andy Vellani from Farmingdale, Maine. I am a current retiree with 33 years of state service and I am speaking as a member of my Union, the Maine State Employees Association Local 1989.

I am asking you to oppose Part HH of LD 390.

I really hate to say this but, HERE WE ARE AGAIN. Another attempt by this administration to take away something that retirees have worked so hard to earn.

This is getting old. I'm getting old....er. We shouldn't have to continually fight year after year to help us keep pace with the cost of living. This administration's attitude and actions against retirees does not promote progress and economic security, but produces stagnation and atrophy in our economic health which affects the entire Maine community.

This is contrary to what the Governor claims is one of his priorities. He says he wants to protect Maine's aging population and make sure they are secure in their homes. He wants to "Do no harm". Well, this will harm me and thousands of other retirees. This will hurt. You can help the Governor keep his promise.

We haven't recovered and never will completely from freezing the COLAs in 2011, 2012 and 2013. This was about 6.5% of accumulative COLAs that we will never get back. Freezing them for nother 2 years will only jeopardize many retirees ability to maintain a decent standard of living and provide some financial security.

Many retirees struggle to pay their mortgages, rent and energy costs and also their rising property taxes, which again are threatened by this administration's proposed budget. When I last testified, my property taxes had increased 17% and since then, GUESS WHAT? They've increased another 13%.This is unsustainable. I can't afford increases of this magnitude nor can most Maine citizens and especially Maine's retirees living on a fixed income.

Voting against this freeze will put some much needed income into the hands of those struggling and can help counter ever increasing costs.

I will close with this. We took care of state government for many years. Now please, state government, take care of us and provide the benefits that we all thought we were earning during our careers in public service.

Thank you

Testimony for the Appropriations Committee

March 8, 2017

Senator Hamper, Representative Gattine and Members of the Committee, my name is Margaret Rice but everyone calls me Peggy. I was born and raised in Maine and I've lived in Lincolnville Center for the past 35 years. I dedicated over 30 years of my adult life working for the State of Maine as a social worker and advocate. I was a child protective worker for many of those years and this work at times put both me and my family's personal and financial safety at risk. I am here today to speak in opposition to Part HH of the proposed biennial budget, LD 390.

I am now at an age when I should be able to relax and enjoy my hard earned retirement. But relying on my State pension is anything but "relaxing". It feels like my pension is constantly under fire based on the current winds of change in the political climate and we State Retirees have to struggle in every legislative session to keep our heads above water.

The Governor says he wants to protect seniors but his proposed budget will hurt seniors like me. He rewarded my dedication to State service by, in 2011-2013, freezing my COLA's and the base on which any future COLA's might be determined. He's now proposing another COLA freeze when I am still trying to recover from the past ones. All the while he proposes to give more tax breaks to the wealthy. The cost of living adjustments are not a pension increase; they are simply an adjustment meant to reflect the rate of inflation. Applying the COLA should be objective and not politicized.

I have also worked under and paid into the Social Security system but due to the Social Security offset, I only receive a fraction of those benefits while I am required to pay for Medicare due to the fact that I receive any small amount of Social Security. This also adds to the stress of being a State of Maine Retiree.

It is my understanding that the baseline budget and the projected revenues do not mean that this proposed COLA freeze is even necessary... so I respectfully ask you to oppose it.

Thank you.

Senator Hamper, Representative Gattine and distinguished members of the Appropriations and Financial Affairs Committee,

I'm Corley Anne Byras, a resident of Bowdoin and a retired educator.

Gov. Paul LePage has urged lawmakers to "do no harm" to the state's elderly or the Maine economy with his two-year budget proposal. He wants to "shield the vulnerable."

Looking at me, you can certainly tell that I'm an elderly Maine resident and to not receive the Cola increase for the next two years will certainly do me financial harm. It will also affect all those educators who are my age or older that did not earn large salaries when they were nurturing Maine students.

As a teacher in Ohio I married a Maine resident serving in the military and while we traveled from base to base, I would work part time as a substitute teacher. When he retired from the Air Force, we located in his home town of Bowdoin. By then we had four children. He worked the second shift at Bath Iron Works and I continued as a substitute teacher so that our children were never left alone. When our oldest started college, although I was a certified teacher, I chose to be employed as a library school secretary at Mt. Ararat High School. That way I did not spend my evenings preparing for classes the next day, but with our children.

My belief is that every employee in a school system from the custodian to the principal is an educator that affects the lives of students. For nine years I was in the library office. However the administration viewed my computer skills as those that would enrich the Mt. Ararat High School students so I was transferred to the computer center. There I taught keyboarding, assisted in managing a First Class Bulletin, and instructed students in the use of the Internet. I also taught teachers computer recertification courses and to increase my retirement was advisor for the high school year book.

The Governor wonders why young people do not remain in Maine ... three of ours remained in Maine with one in the management program at Bath Iron Works, one Student Services Coordinator at the Capital Area Technical School here in Augusta, and one as a plant manager in Wiscasset.

After eighteen years at Mt. Ararat I retired, but because of the time spent as a substitute teacher my retirement was calculated on twenty-three years.

Currently I receive a monthly check of $1,008.17 and it has been affected in the past by a freeze on Cola. These freezes affect my income for the rest of my life. As I earned Social Security, that is reduced by the Windfall Act so that becomes a significant smaller income to combine with my retirement.

As a widow with a one income household, it makes it more difficult to maintain my home and lifestyle.

To deny retired educators the Cola will do elderly retired educators harm for the rest of their lives.

Appropriations and Financial Affairs Committee

March 8, 2017

Senator Hamper, Representative Gattine and distinguished members of the Appropriations and Financial Affairs Committee

My name is Jan Dodge. I taught for thirty-one (31) years in a small rural down east coastal district. I retired in 2010 to my hometown of Belfast. Thank you for the opportunity to testify in support of a cost of living adjustment (COLA) for retired educators.

I pondered what to say to you today that would make a lasting impact and leave you not only remembering me, but understanding in a personal way the plight of my retired colleagues. I considered a word about the price of prescriptions and property taxes, then a humorous anecdote about having to replace rusty front and rear sub frames on a seven year old car. This would be followed by a snappy phrase about balancing budgets on the backs of retired school teachers and rounded out with a heartfelt sentence about how much I loved my high school students and school!!! Instead, I submit my Maine Public Employees Retirement System statements for 2011 and 2017. These represent my monthly income after health insurance and federal and state taxes are deducted.

maine Public Employees Retirement System

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
46 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0046

ADVICE AMOUNT
$1562.18
ADVICE DATE
01/28/2011

DEPOSIT TO: [redacted] BANK CHECKING
ACCOUNT NUMBER: [redacted]

JANICE SUSAN DODGE
17 VINE ST
BELFAST ME 04915

ADVICE OF DEPOSIT
NOT NEGOTIABLE

Public Employees Retirement System

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
PO BOX 349
AUGUSTA, MAINE 04332-0349

ADVICE AMOUNT
$1,574.89
ADVICE DATE
12/30/2016

DEPOSIT TO [redacted] BANK CHECKING
ACCOUNT NUMBER: [redacted]

MS. JANICE SUSAN DODGE
17 VINE ST
BELFAST ME 04915-6919

ADVICE OF DEPOSIT
NOT NEGOTIABLE

In six years of retirement my pension has increased twelve dollars and seventy-one cents. ($12.71) My financial situation is not unlike hundreds of retired educators across the state. Thank you for considering this information as you make your decision about COLAs for retired educators.

Jan Dodge

(207)-338-1626

jan.dodge@yahoo.com

17 Vine Street

Belfast, ME 04915

MAINE ASSOCIATION OF RETIREES

MAR

March 8, 2017

To: The Joint Standing Committee on Appropriations & Financial Affairs

Re: IN OPPOSITION TO LD 390 – the Governors Biennial Budget - Part HH, the proposed elimination of Cost of Living Adjustments for fiscal years 2017-18 and 2018-19

The Maine Association of Retirees, Inc. (MAR) is a member-driven organization with a mission to protect the retirement benefits of Mainers who receive Maine Public Employee Retirement System (MePERS) benefits.

MAR is made up of nearly 14,000 retired educators, state workers, municipal and county employees, legislators, governors, state troopers, and judges. These individuals have spent their entire careers providing valuable and needed services to the people of the State of Maine.

The Maine Association of Retirees (MAR) wishes to express our opposition to the proposed elimination of cost of living adjustments for fiscal year 2017-18 and 2018-19 for our public service retirees.

Please understand that over 30% of our members have pensions under 133% of the federal poverty level. These proud individuals are over the age of 75 and are one of the most financially vulnerable populations in our state.

It is our position that eliminating these COLA's will have a huge financial impact on all of our members' daily responsibilities, decrease their ability to combat inflation and hinder their efforts in saving for unforeseen medical and living expenses. We also believe that the unfunded actuarial liability was not caused by our current retirees and their financial security should not be jeopardized to pay for this current obligation. Therefore, we oppose this proposal.

Once again, we appreciate your consideration of our position.

Sincerely,

Barbara J. Van Burgel

MAR Executive Director

Leading the Way for Maine Retirees

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To Senator Hamper, Representative Gattine, and Appropiations Committee members,

I wish to testify against LD 390, Part HH. I am a seventy year old retiree. I worked for the state first as a Mental Health Worker at Pineland and then later as a Programmer Analyst in Hunan Services.

The problem for state employees is that we are not eligible for Social Security so our pension is all we have. We are not like some private companies where the pension is on top of Social Security. PERS is all we got.

In the last few years what we collect from PERS has become ever less and less.

Huge Pension cuts began in 2011. **Those cuts included:**

- Freezing cost of living adjustments (COLAs) to retiree pensions for three years (2011, 2012 and 2013);
- Capping cost of living adjustments (COLAs) to retiree pensions to 3 percent of the first $20,000 of pension income;

Retired state workers and teachers haven't been able to catch up to the cost of living since then.

The Governor's proposal to freeze the retiree COLA for two more years would make it even harder for retirees to keep up with the cost of living.

All of our expenses are going up while our income is stagnant. For example, our Aetna Medicare Advantage Plan as of 1/1/17 went up in a number of categories. Our Property Taxes and other municipal costs go up every year just like most people's. In fact the cost of living went up so much in Portland that we had to sell our home there and move to a modular home in Gorham. Even there our costs go up every year.

Not keeping up with the cost of living is killing us. All we are asking for is some improvement in our ability to not fall behind so far so fast.

When I started in state service at Pineland Center, I met with someone from the Personnel Department at Pineland Center. He told me that state emplyees might not make as much in wages as workers in the private sector, but the benefits were good and they would always be there. I took that as a promise. What I ask of you is that you keep that promise. I'm not asking for a lot, only that you maintain our benefits and apply a fair COLA to keep us from falling ever further behind.

Respectfully Submitted

Frank Kadi
Frank Kadi
Gorham, Maine

Wednesday, March 8, 2017

State of Maine Legislative Hearing on LD 390, HP 0281

To: Committee on Appropriations and Financial Affairs

Senator James Hamper, Representative Andrew Gattine and Honorable Members of the Committee:

I speak to you today on behalf of the 5,163 members of the Maine Education Association Retired. I am Tom Moore, their current President. Practically all of us live on fixed incomes derived from the monthly payments or set asides we made into our MainePERS retirement fund. A few of us depend on Social Security pensions and another group of us rely on a combination based partly on MainePERS pension payments and partly on Social Security. None of us chose a career in education because we were so deluded as to think we would make a financial killing and get rich quickly.

We became educators for the pure love of teaching because we loved working with eager, young minds. We thought we had chosen a noble career path to educate the future leaders and citizens of our society and communities to provide them with the skills and understanding so essential to the proper functioning of a modern economy and to assure an enlightened citizenry so essential to keeping the concept, practice and spirit of democracy alive and well in a republic such as ours.

We did expect, however, that we would be better appreciated and cared for in our retirement years as senior citizens. Many of us retired years ago when salaries were much lower. There is something inherently immoral and unjust in a budget proposal put forth by Maine's Chief Executive, which would seek to freeze the COLA for the next two years, especially after having frozen the COLA for the five years prior to these past two years. Our members are still reeling and have yet to recover the spending power loss in real dollars by losing the 15% increase in COLA dollars over the 5-year period. The proposed two-year COLA freeze becomes more inexplicable and reprehensible when coupled with proposed tax cuts for the wealthy, cuts in school fundng and the total disregard of Question 2, which was passed by the voters.

What is the felicitous solution to our problem with the proposed two-year COLA freeze? The solution lies in the supplemental budget under current consideration. We strongly suggest, and urge you, to transfer the $35 million in excess revenue from the current fiscal year to pay down the UAL (Unfunded Actuarial Liability), instead of moving this sum of money into the rainy day fund.

I strongly request that you do not freeze our COLA as the Governor has proposed in his budget for the next biennium.

Respectfully submitted,

Thomas H. Moore III

Thomas H. Moore III, President
Maine Education Association Retired

Wednesday, March 8, 2017

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Testimony Regarding the Governor's proposal to suspend Maine Public Employees Retirement System Cost of Living Allowances for 2018 - 2019 Fiscal Years

To: Senator Hamper, Representative Gattine and Members of the Appropriations and Financial Affairs Committee

My name is Rob Peale. I am a resident of Readfield, an Environmental Hydrogeologist at the Maine Department of Environmental Protection, and a member of the Maine State Employees Association.

I am here today on my own personal time.

As a long term state employee I respectfully ask this committee and the legislature to remove from the budget the governor's proposal to suspend the cost of living allowances, or COLAs for short, for retired state employees and educators. This legislature needs to honor the commitments made by the state to provide the benefits promised to educators and public servants like myself when we were hired to work in our public sector jobs.

We have already had to sacrifice our own finances to solve the state's severe budgetary problems that occurred leading up to and during the Great Recession which thankfully is now in the past. As state employees our sacrifices already include several years with no increases in pay, and no merit or longevity increases; they include significant increases in our share of health care insurance costs; and they include the already substantial long term cuts to our promised pensions to which we state employees have already contributed much of our own pay. The total value of those cuts to current and future retirees was $1.7 Billion. These prior cuts to our public employee pensions have been especially insidious because for many of us they already decrease our individual cost of living increases below the historically documented and future projected long term levels of inflation. This results from capping the amount of pension that the COLAs will be applied to, at the base of $20,000 per year back in 2011. These impacts will increasingly worsen the financial health of both current and retired state employees and educators over time.

Because each real COLA increase lifts the original $20,000 COLA eligible base, the governor's proposal will also create an additional two year freeze in the COLA base. As a current employee I am concerned for myself and my fellow employees and teachers because this will cause a long term decrease in the COLA base due to negative compounding over the years ahead.

Many state employees and teachers will get no social security benefits, or greatly reduced social security benefits, because as Maine public employees they and their employers pay into the Maine Public Employees Retirement System instead of paying the overall higher social security taxes. Both private sector employees and private business owners will receive social security benefits that, unlike our pensions, will include annual COLAs that have no caps on the amount of the social security benefits the COLAs apply to. It seems only fair that public employees dependent on their pensions should at the very least not be subject to arbitrary suspensions of the already capped COLAs they are normally entitled to thru the Maine Public Employees Retirement System.

Lastly the governor's continuing attacks on public sector pensions will have additional negative impacts on long term recruitment and retention of public employees and teachers by creating more uncertainty regarding the state's commitment to providing promised pay and benefits.

Thank-you for your consideration.

Rob Peale

TESTIMONY OF MARY ANNE TUROWSKI
MAINE STATE EMPLOYEES ASSOCIATION, SEIU LOCAL 1989

BEFORE THE JOINT STANDING COMMITTEE ON APPROPRIATIONS AND FINANCIAL AFFAIRS
MARCH 8, 2017, SH ROOM 228

IN OPPOSITION TO PART HH OF L.D. 390, AN ACT MAKING UNIFIED APPROPRIATIONS AND ALLOCATIONS FOR THE EXPENDITURES OF STATE GOVERNMENT, GENERAL FUND AND OTHER FUNDS AND CHANGING CERTAIN PROVISIONS OF THE LAW NECESSARY TO THE PROPER OPERATIONS OF STATE GOVERNMENT FOR THE FISCAL YEARS ENDING JUNE 30, 2018 AND JUNE 30, 2019

Senator Hamper, Representative Gattine and members of the Appropriations and Financial Affairs Committee, my name is Mary Anne Turowski, Director of Politics and Legislation for the Maine State Employees Association, Service Employees International Union Local 1989. We are a labor union representing 13,000 public sector and publicly funded workers and retired workers statewide.

We urge you to oppose Part HH of LD 390. Some of you may recall the 125th Maine Legislature imposed enormous pension cuts July 1, 2011. Those cuts included: increasing the retirement age to 65 to state workers and retired teachers who had less than five years of service as of July 1, 2011; freezing cost of living adjustments (COLAs) to retiree pensions for three years (2011, 2012 and 2013); and capping cost of living adjustments (COLAs) to retiree pensions to up to 3 percent, based on the cost of living adjustment, of the first $20,000 of pension income.

Retired state workers and teachers haven't been able to catch up with the cost of living since then. The proposal to freeze the retiree COLA for two more years would make it even harder for retirees to keep up with the cost of living. It's unconscionable that anyone would even consider causing this level of harm to retirees.

There is no funding crisis in Maine State Government. In fact, as you know, in the Supplemental Budget approved by the Maine Legislature last month, the Legislature added $35 million to the state's Rainy Day Fund. Freezing the cost of living adjustment for two more years would be just plain wrong, so please oppose Part HH of LD 390. Thank you.