

Public Employees' Plan Addressing Maine's Budget Shortfall Attributable to the Cost of Retirement Benefits

The Maine Education Association and Maine State Employees Association, SEIU Local 1989, understand that teachers, state employees and taxpayers will have to make sacrifices to help the state weather this recession. While the economy and stock market are clearly on the rebound, continued efforts are needed to deal with the projected shortfall in this biennial budget.

To provide a bridge from the recession to the economic recovery, public employees are presenting a plan to the legislature that reduces the cost of retirement benefits by \$213 million in this budget and reduces the Unfunded Actuarial Liability by \$1.2 billion.

In an effort to significantly reduce the State's overall unfunded actuarial pension liability, and to generate immediate cost savings to cover the state revenue shortfall attributable to retirement benefits, our plan includes:

- A one (1) year freeze on the COLA;
- A reduction in the cap on future COLAs from 4% to 3%; and,
- Future retirees (state employees, teachers, and special plan employees) would become eligible for the state's contribution toward their health insurance upon reaching the current normal retirement age for each category of employee.

Based upon previous cost estimates provided by the Maine Public Employee Retirement System (MePERS) and the State Controller's Office, the reductions more than cover the State's total budget shortfall attributable to retirement benefits for the current biennium and generate an estimated minimum of \$11 million in savings to help offset other shortfalls in the state budget.

➤ Savings Estimates**:

Original increase in the FY 2012-2013 cost for the State Employee & Teacher Retirement Program:	\$ 287 million
Estimate of Savings due to the recalculation of the interest rate and inflation factors:	<u>\$ - 85 million</u>
Net Increase in the FY 2012-2013 cost	\$ 202 million
Estimate of Current Year Savings attributable to the following:	
• One (1) year freeze on the COLA	
• One (1%) percent reduction in COLA cap:	\$ - 213 million
Change in retiree health insurance payment eligibility:	\$ unknown at present
Current Biennium Savings:	\$ 213 million
Decrease in the Unfunded Actuarial Liability due to the Actuarial Assumption change on the COLA	\$ 1.2 billion

** Because the actual cost savings are being recalculated by the Maine Public Employee Retirement System, the estimates are based on earlier reports provided by the MePERS.