

UNFUNDED GOVERNMENT RETIREE HEALTH LIABILITIES REFORM

THE FISCAL CRISIS

Like most states and governors, Maine faces a **\$2.3 billion unfunded government retiree health liability**. In 2007, the Legislature established a trust fund to beginning paying toward this future obligation. Beginning in FY2011, the State is required to begin paying 20% of the necessary annual payment to fully fund these future expenses. These payments increase by 10% a year so that by FY2019, the State is required to pay 100% of the necessary annual payments to fund this health UAL. **Without reform, Maine taxpayers are projected to pay almost \$1.3 billion for retiree health from 2012 through 2020.** Without reform, Maine taxpayers **annual payments are projected to rise from \$90 million a year in 2011 to almost \$174 million a year by 2020.** Without reform, retiree health spending will crowd out other General Fund programs **forcing cuts to other vital state programs** to educate our kids, care for the elderly and disabled, and keep our Maine roads safe.

THE BALANCED SOLUTION

CONTROL GROWTH IN PREMIUMS TO ENSURE AFFORDABLE HEALTH COVERAGE FOR THOSE ON A FIXED INCOME

- Freeze premiums for two years (2012 - 2013).
- Ensure reasonable increases in premiums after that, close to the historical norm of 4.3% annually (last six years), but capped at 4%.

MATCH RETIREE HEALTH BENEFITS WITH MEDICARE ELIGIBILITY

- Require 10 years of service and age 65 (those retiring after January 1, 2012).
- Allow employees to retire early and buy coverage through the State Plan.

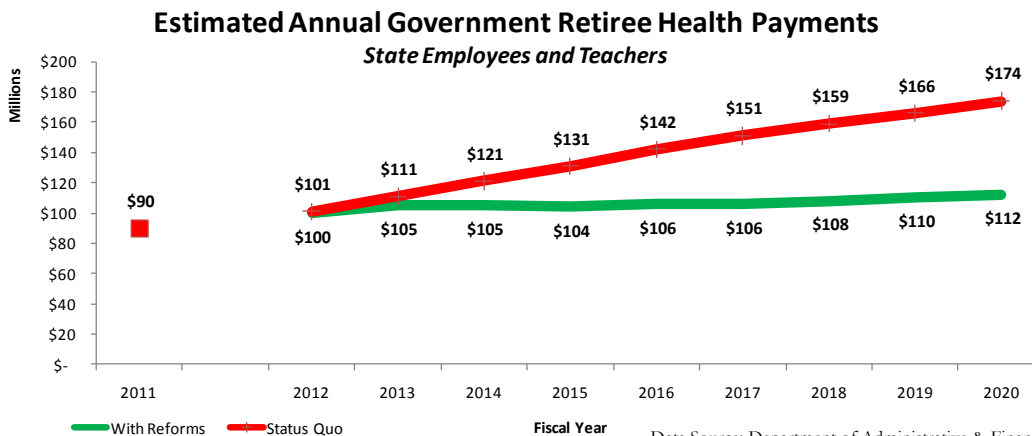
AMEND THE RETIREE HEALTH BENEFIT FOR NEW AND RECENT HIRES

- Create phased in benefit with up to 50% benefit for those working 10-15 years, up to 75% for those working 15-20 years and up to 100% for those working 20-25 years.

CREATE PARITY BETWEEN RETIREES AND STATE EMPLOYEES FOR COST SHARING

- Currently State Employees have a tiered costs sharing for single coverage tiered based on income (5% for those earning less than \$30k, 10% for those earning between \$30k and \$80k and 15% for those earning more than \$80k). Adopts this same arrangement for retirees.

With reforms, taxpayers will be fully funding future retiree health benefits beginning in 2012, not 2019.



Estimated Taxpayer Savings (2012-2020)

\$300 Million

**HEALTH UAL \$2.34 BILLION NOW
IMMEDIATELY DROPPING TO \$1.26 BILLION**