# UNFUNDED GOVERNMENT EMPLOYEE PENSION LIABILITIES REFORM

## THE FISCAL CRISIS

Like most states and governors, Maine faces a **$4.4 billion unfunded government employee pension liability.** This massive debt was caused by underfunding in the 1990s and experience changes as well as exacerbated by recent downturns in the stock market. **Without reform, Maine taxpayers are projected to pay almost $11.3 billion** to the Maine Public Employees Retirement System by the constitutionally mandated 2028. Without reform, Maine taxpayers **annual payments are projected to rise from $322 million a year in 2011 to almost $600 million a year by 2018**. The General Fund pays about 76 percent of these skyrocketing costs in our tax dollars. This annual payment could **consume almost half of all new General Fund revenue, forcing deep 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

### KEEP PROMISES TO RETIREES—NO CUTS IN PENSIONS

- Freeze pensions for three years (2011 - 2013), identical to the state employee salary freeze.
- Ensure reasonable increases in pensions after that, close to the historical norm of 2.8% annually, based on CPI (inflation), but capped at 2% (currently capped at 4%).

### AMEND RETIREMENT AGE TO 65 FOR NEW AND RECENT HIRES

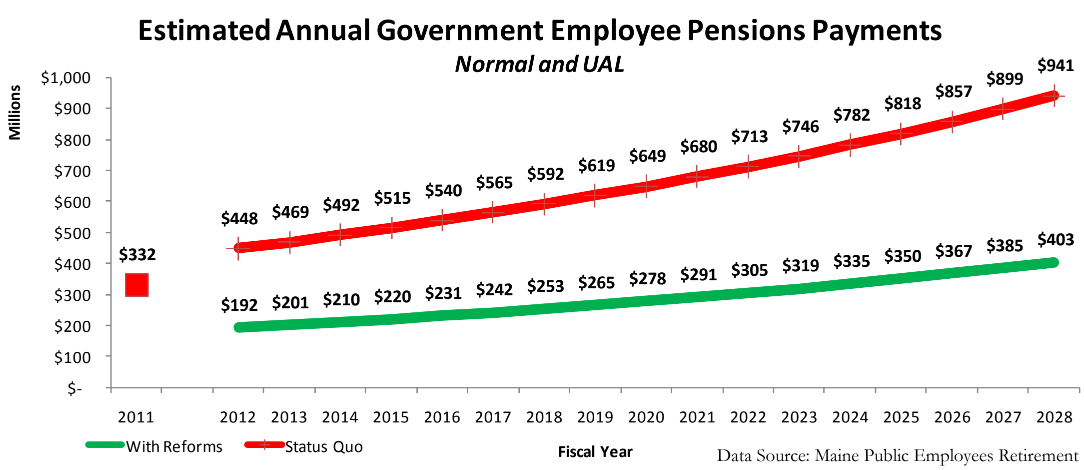
- Create parity with Social Security (current retirement age of 66, then to 67 in 2027).

### MATCH RETIREE HEALTH BENEFITS WITH MEDICARE ELIGIBILITY

- Require 10 years of service and age 65 (those retiring after January 1, 2012).

### MAKE MORE PORTABLE RETIREMENT BENEFITS FOR STATE EMPLOYEES AND TEACHERS

- Currently employees can only keep their share of the retirement contribution (usually 7.65% of salary) when they leave the system. This reform plan increases employee contributions by 2%, allowing everyone to keep a greater share of their total benefit when they leave.




Data Source: Maine Public Employees Retirement System

**Estimated Taxpayer Savings (2012-2028)**

**$6.48 Billion**

**UAL $4.4 BILLION NOW**
**IMMEDIATELY DROPPING TO $2.06 BILLION**