Overview

The Maine Public Employees Retirement System (PERS) was established in 1942. Today, it administers six retirement plans; the four major programs are the State and Teacher's Retirement Program, the Judicial Program, the Legislative Program, and the Participating Local District Retirement Program. PERS also operates a Group Life Insurance Program and a program of defined contribution retirement plans, collectively referred to as MaineSTART. PERS administers benefits for some 50,394 active employees and 38,408 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Teachers in Maine do not participate in Social Security.

Key Facts

- Teachers contribute 7.65% of salary to the fund.

- Employers contribute 13.85% to the fund on behalf of teachers.

- Each dollar invested by Maine taxpayers in the pension supported $4.19 in total economic activity in the state.

▶ Key Maine Data[1]

The chart below summarizes the key data for the State Employee and Teacher Program of Maine PERS, as of June 30, 2012:

	All PERS	State Employee and Teacher Program
Total active employees	50,394	39,360
Total benefit recipients	38,408	30,485
Employer contribution rate*	13.85% (teachers); 23.47 - 39.22% (state employees)	
Employee contribution rate*	7.65% (teachers); 7.65 - 8.65% (state employees)	
Funded ratio	79.1%	
Average annual service pension benefit	$20,151	
Actuarial value of assets	$11.1 billion	
Unfunded actuarial accrued liability	$2.9 billion	
ARC percent contributed	100.1% (2012); 101.7% (2011); 103.4% (2010); 100.0% (2009);100.0% (2008); 100.1% (2007)	

* Rates listed are for teachers and state employees only; other employee classes may be different. State employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

▶ The Economic Impact of Maine Pensions[2]

Expenditures made by retirees of state and local government provide a steady economic stimulus to Maine communities and the state economy. Within the state of Maine, 2012 expenditures stemming from state and local pensions supported:

- 10,786 jobs that paid $433.5 million in wages and salaries
- $1.4 billion in total economic output
- $228.7 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.64 in total economic activity in Maine.

Each dollar "invested" by Maine taxpayers in these plans supported $4.19 in total economic activity in the state.

---

[1] All data, unless otherwise noted, as of June 30, 2012.

[2] Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Maine Public Employees Retirement System (PERS)**. PERS provides retirement benefits for state and public school employees in Maine. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$4.19 The total economic activity in Maine for each dollar invested by Maine taxpayers in PERS.

$1.4 billion Total economic output in Maine created in 2009 when public sector retirees spent their pension income.

$228.7 million Federal, state and local tax revenues generated by spending of Maine public pension income.

10,786 Jobs created from pension income spending by Maine state and local government retirees.

50,394 Total active members of Maine PERS.

$20,151 Average annual pension income for a retired teacher in Maine.

7.65 Percentage of salary that employees contribute from every pay¬check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement. Maine teachers do not participate in Social Security.

126 The number of teachers retained each year solely due to the defined benefit (DB) plan.

$1.3 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the Maine Public Employees Retirement System or the National Institute on Retirement Security.

AARP℠

NRTA
AARP's Educator Community

NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."[1]

Key Facts

- Employees contribute 7.65% of salary out of each paycheck to the pension fund.

- The average retirement benefit is $20,151 per year, or $1,679 per month.

- The State Employee and Teacher Program covers 39,360 active employees and 30,485 retirees and beneficiaries.

- Teachers are paid 14.3% less than comparable private sector workers.

- The PERS pension replaces 60% of pre-retirement income for a teacher with 30 years of service.

- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Maine teachers do not participate in Social Security.**

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.[2]

Public school teachers in Maine have pension coverage through the Maine Public Employees Retirement System (PERS).

The State Employee and Teacher Program of Maine PERS covers 39,360 active employees and 30,485 retirees and beneficiaries. Teachers contribute 7.65% out of each of their paychecks to the pension fund. The average retirement benefit is $20,151 per year, or $1,679 per month.

The PERS pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement. **Maine teachers do not participate in Social Security.**

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.[3] More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.[4] Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.[5]

▶ Pensions Help Retain Quality Teachers in Maine[6]

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Maine
- The cost of turnover in Maine is $10,670 per teacher.
- 126 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved $1.3 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: *AARP's Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

[1,2] Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

[3] Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

[4] Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide.* Washington, DC: Economic Policy Institute.

[5] Oakley, D, and K. Kenneally. 2013. Pensions and Retirement Security 2013: A Roadmap for Policy Makers. Washington, DC: National Institute on Retirement Security.

[6] Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.