



Maine

MAINE HAS DONE AN EXCELLENT JOB funding its pension system and is in far better shape than it was in the mid-1990s. The state’s non-pension benefits are significant, however, and its pay-as-you-go costs are rising rapidly. These benefits—principally health care—were 6.7% of payroll for current retirees in fiscal year 2007, but will rise to 11.2% of payroll in fiscal year 2016, according to state figures. To fully fund its non-pension benefits, Maine’s annual payment would be about two and a half times the current costs, according to the state’s actuaries. But moving in that direction would be smart fiscal practice. Consistently funding this amount would reduce the state’s total long-term liability of \$4.7 billion (for state employees and teachers) to \$3.2 billion, because the interest the state is likely to earn when it invests more money over the long term can be applied to paying down the bill.

PENSIONS

TOTAL BILL COMING DUE: **\$12.3 billion¹**

FUNDS SET ASIDE: **\$9.5 billion**

PORTION UNFUNDED: **\$2.8 billion**

PERCENT FUNDED: **77 as of 2006²**

TEN YEAR FUNDING HIGH: **79% in 2000**

TEN YEAR FUNDING LOW: **63% in 1997**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Maine made several actuarial adjustments in 2006. One brought its interest rate assumption down from 8% (the 50-state median) to 7.75%, a slightly more conservative figure. It uses a 33% factor in smoothing out investment returns over time—the equivalent of smoothing out results over three years, shorter than most states. This is one reason its pension funding levels have improved in the last several years sooner than states that use a longer smoothing period and are still factoring in poor investment returns from the early part of the decade. The amortization period in 2006 was 22 years for its state employee and teacher plans, conforming to accounting standards.

1 System includes state employees, public school teachers, judges, legislators and employees of the 267 municipalities and other public entities, called “participating local districts.”

2 50-state mean was 82%.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$2.3 billion¹**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$2.3 billion²**

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

1 For state employees; \$4.7 billion including teachers.

2 377% of covered payroll, compared to a national median of 135%.

REFORMS: Maine has not made significant reforms in its retirement system in recent years, although there have been minor adjustments, including a change in the system’s name. In 2002, the legislature passed a requirement that generally prevents the state from reducing its annual contribution to the system from what it paid in the previous year, according to the National Conference of State Legislatures. A trust has been set up for non-pension benefits.

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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