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An Act Regarding the Cost-of-living Adjustment for Certain State Retirees When the Cost of Living Declines

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 5 MRSA §17806, sub-§1, ¶A-1, as amended by PL 2009, c. 473, §4, is further amended to read:

A-1. If there is a percentage decrease in the Consumer Price Index from July 1st to June 30th, the board shall set the percentage change at 0% for that September. The adjustment for the following year must be set based on the actuarially compounded Consumer Price Index for both years in a cost-neutral manner. If the Consumer Price Index in the subsequent year or years is not sufficient to allow for the adjustment to be cost-neutral for the 2 years, then the adjustment needed for cost-neutrality must continue to be applied to following years until such time as the cost-neutrality requirement is met. An adjustment to achieve cost-neutrality under this paragraph may not include a downward adjustment for any year prior to the retiree's retirement.

Sec. 2. 5 MRSA §18407, sub-§4, ¶A-1, as amended by PL 2009, c. 473, §6, is further amended to read:

A-1. If there is a percentage decrease in the Consumer Price Index from July 1st to June 30th, the board shall set the percentage change at 0% for that September. The adjustment for the following year must be set based on the actuarially compounded Consumer Price Index for both years in a cost-neutral manner. If the Consumer Price Index in the subsequent year or years is not sufficient to allow for the adjustment to be cost-neutral for the 2 years, then the adjustment needed for cost-neutrality must continue to be applied to following years until such time as the cost-neutrality requirement is met. An adjustment to achieve cost-neutrality under this paragraph may not include a downward adjustment for any year prior to the retiree's retirement.

Sec. 3. Retroactivity; recalculation of benefits. Those sections of this Act that amend the Maine Revised Statutes, Title 5, section 17806, subsection 1, paragraph A-1 and section 18407, subsection 4, paragraph A-1 apply retroactively to June 17, 2009. The Maine Public Employees Retirement System shall recalculate the pension for any retiree whose pension prior to the effective date of this Act is affected by this Act and make a payment to that retiree reflecting the difference between the pension received prior to the recalculation and the pension as recalculated under this Act.

SUMMARY

This bill provides that the public employee pension adjustment for changes in the Consumer Price Index does not include downward adjustments to achieve cost-neutrality attributable to a decrease in the Consumer Price Index for years prior to a retiree's retirement.