

Dear chairpersons Rotundo and Sachs, Roeder and Tipping, and all members of the committees on Appropriations and Labor and Housing:

My name is Josie Phillips, and I am a budget and tax policy fellow with Maine Center for Economic Policy. Maine Center for Economic Policy is testifying neither in favor nor against the section of the proposed budget regarding the state pension plan. Neglecting to provide adequate cost of living adjustments to retirees is a failure to fully honor Maine's commitment to these former public servants, given the elevated cost of living of the past two years. And because this proposal does not include an adjustment to their base benefits, it will mean that retirees are forever losing ground to inflation.

Over the past 15 years, Maine's state government significantly rolled back its commitment to state retirees by freezing and later capping their cost of living adjustments, a policy decision from which these retirees still have not recovered. Only recently has this trend begun to reverse. During 2021 and 2022, retirees on state pension plans effectively received a 4 percent increase in their benefits along with a modest increase to the base to which these benefit adjustments apply. For 2023, the governor's proposed supplemental budget includes a one-time increase of 1 percent to pension benefits without adjusting the benefit base. While those adjustments did not fully account for rising costs of living, retirees lost less ground under those adjustments than they will under the current budget as proposed. By comparison, between December 2020 and December 2022, prices for goods and services in the Northeast increased by more than 12 percent on average, according to the Bureau of Labor Statistics. Food prices have increased by more than 15 percent, housing costs have gone up by 11 percent, and — most strikingly — the cost of household energy has skyrocketed by more than 40 percent. Put simply: the cost of core essentials has risen faster than state retirees' ability to adjust to these price increases.

Maine Center for Economic Policy believes that we should honor people who dedicated their careers in service of our communities, and the first step is to ensure they can support themselves and their families in retirement by guaranteeing cost of living adjustments commensurate with inflation. In addition, MECEP supports the elimination of the cap to the benefit base, which will help people on the pension plan to recover the ground they've lost to inflation over the past few years. Together, these initiatives will help ensure more Mainers have the tools to provide security and opportunity for themselves and their families and contribute to the economic health of their communities.

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