

LD 258

February 10, 2023

Senator Rotundo, Representative Sachs, Members of the Appropriations Committee; Senator Tipping, Representative Roeder, Members of the Labor and Housing Committee.

My name is Harold Booth, I live in Hallowell, and I'm a retired state employee, retiring in 1996.

It's no secret that this country has experienced higher-than-normal inflation over the past year or two – way higher than the 3% cap currently imposed on the COLA granted to State retirees and teachers as a result of legislation passed in 2011, reducing the cap from 4% to 3%. I won't go into the motivations behind that legislation, let's just say that it was done without much concern for the retirees involved.

I'm coming up on 27 years as a retiree. Over those years, there have only been three times when my COLA has been greater than 3% – all while the cap was 4% [2001, 2007, 2008] – all while the cap was 4%, see the table of COLAs at the bottom.

That happy circumstance, of the COLA keeping up with inflation, ended in 2021 when inflation hit 5.4%. The COLA that year, capped at 3%, left me 2.4% behind. There was a legislatively granted increase of an additional 1%, leaving me 'only' 1.4% behind. As you doubtless all know, inflation in 2022 was much worse. There were also years, right after the 2011 legislation, when there was no COLA at all, despite there being some inflation.

Everyone who gets Social Security automatically receives an inflation-adjusted COLA every year – no cap, just whatever inflation is that year. The only people in the state who get left behind are state retirees and teachers, whose COLA is limited by that 3% cap. My question for you is: Why does the State allow its direct and indirect employees to suffer from inflation as retirees while those on Social Security do not?

Over the years there have been many studies, comparing the costs associated with the existing State Retirement System vs. moving to having the state join the Social Security system. Those studies unfailingly show that moving to Social Security would be much more expensive, no the change is not made.

Since it is the State's choice to continue with MePERS, the State should also ensure that its retirees do not suffer, relative to those receiving Social Security, as a result of inflation higher than that 3% COLA cap by making its retirees whole by legislatively granting an inflation-matching COLA onto the base.

The current administration seems to be fond of offering ad-hoc adjustments for inflation in-excess of the 3% COLA cap – quick money now, but nothing on the base for long-term relief. I’m outraged at the cynicism implicit in such an ‘offering’. Do they think that inflation is also ad-hoc? If you look at the Accum[ulative] COLA column you will see how rapidly small annual increases result in ‘real money’ over time.

Note: These percentages are based on my *calendar-year income tax information on the size of my pension*, not the actual percentage-increase of the COLA. The accumulative increase shown for years 2012 – 2013, when there was no actual COLA, are probably due to differences in the tax-rate on my pension.

			Annual	Accum.		
			COLA	COLA		
1996						
1997						
1998			1.9%	1.9%		
1999			1.6%	3.6%		
2000			2.6%	6.2%		
2001			3.7%	10.1%		
2002			2.5%	12.9%		
2003			1.4%	14.5%		
2004			2.5%	17.3%		
2005			3.0%	20.9%		
2006			3.0%	24.5%		
2007			3.6%	29.0%		
2008			3.1%	33.0%		
2009			2.6%	36.5%		
2010			0.0%	36.5%		
2011			0.0%	36.5%		
2012			0.0%	40.6%		
2013			0.0%	38.8%		
2014			0.8%	39.9%		
2015			0.5%	40.6%		
2016			2.6%	44.1%		
2017			2.2%	47.4%		
2018			2.0%	50.4%		
2019			2.5%	54.1%		
2020			1.3%	56.0%		
2021			1.4%	58.2%		
2022			4.3%	65.0%		

The chart **Bold, italic**, and highlighting is to provide easier reading, no other significance.

These are the actual CPI-U changes over the same period – calculated on the CPI change as of June [the way the State does it.]

	Actual CPI #	CPI-U Annual	Change Accum.
1996	156.7		
1997	160.3		
1998	163	1.7%	1.7%
1999	166.2	2.0%	3.7%
2000	172.4	3.7%	7.5%
2001	178	3.2%	11.0%
2002	179.9	1.1%	12.2%
2003	183.7	2.1%	14.6%
2004	189.7	3.3%	18.3%
2005	194.5	2.5%	21.3%
2006	202.9	4.3%	26.6%
2007	208.6	2.8%	30.1%
2008	218.8	4.9%	36.5%
2009	215.7	-1.4%	34.6%
2010	218	1.1%	36.0%
2011	225.7	3.5%	40.8%
2012	229.5	1.7%	43.2%
2013	233.5	1.7%	45.7%
2014	238.3	2.1%	48.7%
2015	238.6	0.1%	48.8%
2016	241	1.0%	50.3%
2017	245	1.7%	52.8%
2018	252	2.9%	57.2%
2019	256.1	1.6%	59.8%
2020	257.8	0.7%	60.8%
2021	271.7	5.4%	69.5%
2022	296.3	9.1%	84.8%

If you compare the two accumulated columns, you can see that they track almost exactly through 2010, but starting with 2011 – after the change to the retirement system in 2011 – you can see that my retirement increase lags behind the actual inflation so that by 2020, I'm 4.8% behind [56.0 vs 60.8]. By 2021, it's worse [58.2 vs 69.5], and 2022 it's 19.8% [65.0 vs 84.8].

To assure you that I didn't make up the CPI-U numbers. Below is a screen-shot of those figures that I found on-line. I have added a rectangle that isolates the June figures. The figures from the chart showing the retirees' COLA are from a spreadsheet that I maintain for my own fiscal analysis. The figures are from my 1099-Rs. I would be happy to bring documentation to the work session.

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVE.
2023													
2022	281.148	283.716	287.504	289.109	292.296	296.311	296.276	296.171	296.808	298.012	297.711	296.797	292.655
2021	261.582	263.014	264.877	267.054	269.195	271.696	273.003	273.567	274.310	276.589	277.948	278.802	270.970
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	258.811
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.008
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342
2006	198.300	198.700	199.800	201.500	202.500	202.900	203.500	203.900	202.900	201.800	201.500	201.800	201.600
2005	190.700	191.800	193.300	194.600	194.400	194.500	195.400	196.400	198.800	199.200	197.600	196.800	195.300
2004	185.200	186.200	187.400	188.000	189.100	189.700	189.400	189.500	189.900	190.900	191.000	190.300	188.900
2003	181.700	183.100	184.200	183.800	183.500	183.700	183.900	184.600	185.200	185.000	184.500	184.300	183.960
2002	177.100	177.800	178.800	179.800	179.800	179.900	180.100	180.700	181.000	181.300	181.300	180.900	179.880
2001	175.100	175.800	176.200	176.900	177.700	178.000	177.500	177.500	178.300	177.700	177.400	176.700	177.100
2000	168.800	169.800	171.200	171.300	171.500	172.400	172.800	172.800	173.700	174.000	174.100	174.000	172.200
1999	164.300	164.500	165.000	166.200	166.200	166.200	166.700	167.100	167.900	168.200	168.300	168.300	166.600
1998	161.600	161.900	162.200	162.500	162.800	163.000	163.200	163.400	163.600	164.000	164.000	163.900	163.000
1997	159.100	159.600	160.000	160.200	160.100	160.300	160.500	160.800	161.200	161.600	161.500	161.300	160.500
1996	154.400	154.900	155.700	156.300	156.600	156.700	157.000	157.300	157.800	158.300	158.600	158.600	156.900