



DATE: February 14, 2023

TO: Senator Michael Tipping
Representative Amy Roeder
Members, Joint Standing Committee on Labor and Housing

FROM: William H. Laubenstein, III
President, Maine Association of Retirees

SUBJECT: LD 70, An Act to Eliminate the Cap on Retirement Benefits for State Employees and Teachers to Which a Cost-of-living Adjustment is made.

Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is William H. Laubenstein, III. I am President of the Maine Association of Retirees (MAR) whose membership includes retired State employees, retired teachers and other public service retirees.

MAR supports LD 70, An Act to Eliminate the Cap on Retirement Benefits for State Employees and Teachers to Which a Cost-of-living Adjustment is made. Prior to 2011, the cost-of-living adjustment (COLA) was made on the full retirement benefit and the COLA was capped at 4%. Pursuant to PL. 2011, Ch. 380, the COLA adjustment would apply on to the first \$20,000 indexed of a retiree's benefit. The indexed amount for 2022 was \$24,186.25.

It is MAR's understanding that the 2011 change was one of the changes made to balance the budget as required by the Maine Constitution and that the change was never meant to apply to future years. This change, in addition to the reduction of the maximum COLA increase from 4% to 3% has had a severe adverse impact on the State and teacher retirees who for the most part live on fixed incomes. It is worthy of note in this regard that the maximum COLA increase for retirees covered by the plan for the Participating Local District Consolidated Plan (PLD) is 2.5% and is applied to the entire benefit. See 5 M.R.S., sec. 18407. Equity in the treatment of Maine public service retirees requires that retired State and teacher employees be entitled to a COLA applied to the entire pension benefit.

Further, with regard to the COLA adjustment for 2022, the rate of inflation in 2022 dramatically out-paced the State 3% cap on the COLA adjustment and worked additional hardship on public service retirees. There is no better example of the inadequacy of a 3% adjustment than the 8.7% COLA adjustment for persons receiving a Social Security retirement benefit. While LD 70 does not fully put State and teacher retirees in the same position they had in 2011, it is a good first step in alleviating the financial challenges retirees.

Thank you for your consideration of this testimony. I would be happy to answer your questions and MAR will be available for your work session.

Leading the Way for Maine Retirees

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