



March 28, 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 1096: An Act to Help Retired Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of-Living Adjustment for Social Security Benefits

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 1096, an Act to Help Retired Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of Living Adjustment for Social Security. It accomplishes this by changing the cost-of-living adjustment (COLA) for state and teacher retirees' retirement benefits to the same index used to calculate the COLA under the Social Security Act. In addition, and more significantly, LD 1096 would eliminate the cap on the maximum of adjustment, which is now 3%.

The financial stress on retirees of the 3% cap cannot be overstated. As is well known, the COLA adjustment for recipients of Social Security benefits in 2022 was 5.9% and the adjustment for 2023 was 8.7%. MAR recognizes that the Legislature took steps in 2022 to align the 2022 adjustment with Social Security. However, there is much more work to be done to help retirees in 2023 where the disparity between the State 3% and the federal 8.7% is significant, a disparity that imposes a hardship on retirees living on a fixed income.

LD 1096 is good step toward bringing state and teacher retirees much needed financial relief. Nevertheless, it does not go far enough since it does not eliminate the limitation on the portion of the retirement benefit to which the COLA adjustment is applied. LD 70, which is already before this Committee, would eliminate the limitation. Accordingly, by favorably reporting out LD 1096 and LD 70, the Committee would put state and teacher retirees on the same footing as recipients of Social Security benefits. Said another way, the state would be equitably treating state and teacher retirees and recipients of Social Security benefits, a position the administration took regarding payment of Medicare Part B.

MAR is aware that many proposals are being made to help state and teacher retirees keep up with increases in the COLA. These include changes in how the COLA is calculated and a requirement that the state pay all or a portion of the Medicare Part B premium retirees covered by a Medicare Advantage Plan must pay. If MAR had to choose between COLA adjustment and Medicare Part B premium payments, it would select the latter because, as has been pointed out repeatedly, changes to the COLA adversely impacts the unfunded actuarial liability of the Maine Public Employees Retirement System trust fund and raises state constitutional issues. Paying all or a portion of the Medicare Part B premium avoids those issues.

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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