

Testimony in support of 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”

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Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing, my name is Arthur Phillips and I am an analyst at the Maine Center for Economic Policy. I am here to testify in support of 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.”

At a time of rising prices, our state’s 3 percent cap on MainePERS cost-of-living adjustments is penalizing our former public servants. After dedicating their lives to educating our children and providing critical public services, they are struggling to afford the basic necessities in a time of volatile prices.

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. Only recently has this trend begun to reverse. The 130th Legislature took some promising steps, including a one-time 4 percent increase in their benefits along with a modest increase to the base to which these benefit adjustments apply. But retirees have not come close to making up for lost ground.

By comparison, between December 2020 and December 2022, prices for goods and services in the Northeast US increased by more than 12 percent on average, according to the Bureau of Labor Statistics. Food prices 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 much faster than state retirees’ ability to pay for them.

This year, Social Security recipients saw a full 8.7 percent cost-of-living increase. But as you know, many of our MainePERS recipients do not qualify for Social Security due to offsets including the Windfall Elimination Provision (WEP). Until those offsets are dealt with at the federal level, the ability of our public sector retirees to keep up with the rising cost of living depends on state action.

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Our failure to reform to the COLA cap will not only hurt the tens of thousands of current retirees, but will exacerbate our challenges to attract talented workers into teaching and other public services. For all of these reasons, we believe the pension system's current design poorly serves our state, and we urge you to support LD 1096.