



DATE: February 20, 2024

TO: Senator Nicole Grohoski
Representative Joseph Perry
Members, Joint Standing Committee on Taxation

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

SUBJECT: LD 457, An Act to Amend Maine's Tax Laws

Senator Grohoski, Representative Perry and members of the Joint Standing Committee on Taxation. 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 is neither for nor against LD 457, a concept draft, An Act to Amend Maine's Tax Laws. MAR understands that an amendment has been proposed that would address the longstanding concern of Maine public service retirees with the current cost-of-living adjustment formula that caps the COLA on retired State employees and teachers pension at 3% of an indexed amount. That amount for 2024 is \$25,659.20. Prior to 2011, the COLA was capped at 4% of the retirees full pension.¹

The proposed amendment, as understood by MAR, would for one year provide a COLA of 3% on the first \$40,000 of retired State employees and teachers pension to be funded in part by reducing the pension reduction found at 36 M.R.S, sec. 5122 (2)(M-2)(2)(d). In subsequent years, the indexed amount would return to the present formula and the pension reduction would be phased out. It is not clear to MAR how the savings generated by phasing out the pension reduction benefits retirees. Without more, the phasing out is a reduction in retiree benefits and an increase in tax liability.

MAR supports any effort to help Maine public service retirees meet increased financial burdens, one of which is the high rate of inflation. Coupled with this is the cost of health insurance now being shouldered by retirees covered by the Aetna Medicare Advantage Plan and other similar plans. Under these plans, participants are required to pay for Medicare Part B that for 2024 is \$174.70 per

¹ MAR notes, too, that active State employees received recently a 9% salary increase while retired State employees only received a 3% COLA increase on \$24,911.84.

month. This requirement to pay for Part B came as an unwelcome surprise to retirees who understood that, provided they met certain requirements, their health insurance would be at no cost.

MAR is aware that there is no easy, cost neutral way to address the financial burdens of State public service retirees and fully appreciates the actions taken in the previous legislative session. Nevertheless, more work needs to be done and MAR stands ready to assist in any such effort.

Thank you for your consideration of this testimony. MAR would be happy to answer your questions and will be available for the Work Session.

Leading the Way for Maine Retirees

157 Capitol St, Suite 4, Augusta, Maine 04330
Telephone Number: (207) 582-1960
1-800-535-6555
(207) 707-1722 FAX

William H. Laubenstein III – *President*
Diane M. Bailey – *Executive Director*
email: MAR@MaineRetirees.org
www.maineretirees.org