

Testimony On LD 1040: An Act to Raise the Cap on Retirement Benefits for Certain State Employees and Teachers to Which a Cost-of-living Adjustment Is Made; and LD 900: An Act to Protect State Retiree Pensions from Inflation

Senator Tipping, Representative Roeder and members of the Labor Committee. My name is Rob Peale and I am a Readfield resident. I am also a retired State of Maine employee. **I am asking for your support to pass and fund LD 1040 and LD 900 that would return a portion of the retirement benefits that were taken from us by the Republican governor and legislature in 2011.**

The 2011 pension cuts included (1) permanent imposition of a low pension base to which cost-of-living adjustments (COLA) apply, and (2) permanent lowering of the COLA cap to a level below the likely long term average inflation rate.

These 2011 changes took away benefits we were promised when we were hired. These promises were often repeated to encourage us to stay in our jobs during years when wage and other benefit increases were paltry. Until 2011 Maine law specified that our promised pension benefits were contractual between the state, and its employees and teachers. This all changed in 2011.

Since I retired in 2017 after 30 years of service to the state helping to protect and improve Maine's environment, the value of my pension benefits has continued to decrease because (1) a very large portion of my pension is not and will not be covered by cost of living adjustments (the COLA) due to the cap on the covered pension benefits base, (2) the COLA itself is presently capped at a rate below the likely long term average inflation rate, (3) inflation rates that in some recent years have exceeded the COLA cap (and are likely to exceed it in at least some future years), and (4) even though the pension base increases at the rate of the COLA this is a very slow process that also will not keep up with inflation over the long term. In 14 years the base has only increased from \$20,000 to around \$26,500. Unfortunately there is no "catch-up" provision in the 2011 legislation to allow us to recover some of this money in years when inflation is less than the COLA cap.

Our pension and COLAs contrast starkly with the social security benefits and COLAs that private sector workers get. Social security benefits receive annual COLAs on their entire pension payments based on actual inflation rates.

While I am fortunate that my time in the private sector prior to state employment qualifies me to receive modest social security benefits to supplement my state benefits, many state employees and teachers do not qualify for social security because they spent their entire careers working on your behalf. For many of them these proposed bills are even more critical because the reduced benefits from 2011 compound over time (compounding occurs negatively as well as positively). This compounding will make state and teacher retirees more worse off the longer they live unless you make the requested changes.

On behalf of myself and my fellow retirees I ask you to please pass and fund these bills, and be open to other changes to help retirees recover our promised pension and medical benefits, and maintain our quality of life.

Thank you.

Robert Peale
Readfield, Maine