



DATE: March 29, 2021

TO: Senator Joseph Rafferty, Chair  
Representative Mike Sylvester, Chair  
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on LD 703: An Act to Increase the Amount to Which a State Employee or Teacher Retiree's Cost-of-living Adjustment Is Applied from \$20,000 to the Retiree's Actual Retirement Benefit

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Senator Rafferty, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is William H. Laubenstein, III, and I am President of the Maine Association of Retirees.

The Maine Association of Retirees (MAR) supports LD 703, which provides cost-of-living increases for retired state employees and teachers apply to the retiree's entire benefit instead of only to the first \$20,000 index of the retirement benefit.

MAR is a member driven organization whose approximately 14,000 members are retirees covered by one of the various retirement plans administered by the Maine Public Employees Retirement System. The overarching mission of the organization is to protect the retirement fund and advocate for the rights of Maine Public Service retirees to ensure a financially secure, healthy and enriched life.

Under current law, cost-of-living increases apply only to the first \$20,000 index of a retiree's benefit for state and teacher retirees. This limitation was effective July 1, 2011 and enacted as part of the State budget bill in 2011, An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2011, June 30, 2012 and June 30, 2013, PL 2011, ch. 380. It is MAR's understanding that this 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 cost-of-living increase from 4% to 3% in PL 380, 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 cost-of-living increase for retirees

covered by the plan for Participating Local Districts (PLD) is 4% and is applied to the entire benefit. See 5 M.R.S. §18407. Equity in treatment of Maine Retirees requires that retired state employees and teachers be entitled to the same 4% maximum increase in cost-of-living and that the increase applies to the entire benefit.

The cost-of-living adjustment is just one factor in considering the financial security and well-being of Maine Public Service retirees. Another factor is the health insurance plan made available to retirees under the state and teacher plan. The current plan is a Medicare Advantage Plan administered by Aetna or Anthem. Although the plan is promoted as without or reduced cost to retirees depending on years of participation in the health plan as provided in 5 M.R.S. § 285 (7)(H), under the Advantage Plan, retirees must be enrolled in and pay the premium for Medicare Part B. Furthermore, Maine Public Service retirees who also receive Social Security benefits may be subject to the Windfall Elimination provision, which reduces a retiree's social security benefit. Finally, pursuant to the Government Pension Offset provision in the Social Security Act, the spouse of a deceased retiree who was receiving social security benefits will see their Social Security spouses' benefit reduced or eliminated depending on their Maine retirees' benefit.

MAR is aware that the Windfall Elimination provision and the Government Pension Offset are federal law and cannot be changed by an enactment of the Maine Legislature. Nevertheless, the Legislature could require the State to pay the premium for Medicare Part B. Such action would substantially contribute to the financial security and well-being of Maine Public Service retirees.

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

### ***Leading the Way for Maine Retirees***

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