

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 459

S. P. 181

In Senate, January 28, 1981

Referred to the Committee on Aging, Retirement and Veterans. Sent down for concurrence and ordered printed.

MAY M. ROSS, Secretary of the Senate

Presented by Senator Pierce of Kennebec.

Cosponsor: Senator Conley of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Provide Cost-of-living Adjustments to Retirement Allowances under the Maine State Retirement System to Parallel those Granted to Active State Employees.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 5 MRSA § 1128, sub-§ 1, ¶¶ A and B, as enacted by PL 1977, c. 573, § 3, are repealed and the following enacted in their places:

A. On any general adjustments in state salaries made to active state employees, the average percent increase or decrease shall be applied to all retired state employees, teachers or beneficiaries of either and the effective date shall be on September 1st following the effective date of the active employees' adjustment.

B. The percentage increase or decrease shall be based on the monetary increase or decrease, plus the monetary value of all new fringe benefits granted, such as life insurance, health insurance, uniforms and board and room, to the several levels of active state employees.

Sec. 2. 5 MRSA § 1128, sub-§ 1, ¶ C, as amended by PL 1979, c. 663, § 19, is repealed and the following enacted in its place:

C. The computation to determine the average percentage increase or decrease

shall be made during the 3rd quarter of the calendar year, based on the fiscal year completed June 30th, by the Commissioner of Personnel and reported promptly to the board of trustees.

Sec. 3. 5 MRSA § 1128, sub-§ 1, ¶D, as enacted by PL 1977, c. 573, § 3, is repealed and the following enacted in its place:

D. The cost of the adjustment shall be determined by the board of trustees of the Maine State Retirement System and shall be added to or deducted from their budget requests for the system.

STATEMENT OF FACT

The trustees of the Maine State Retirement System have carried out the provisions of Title 5, section 1128 for the past 4 years, granting 4% cost-of-living increases and advising the leadership of the Legislature of the actual Consumer Price Index increase by each February. It is apparent that no proper remedy for retirees can be obtained in this manner so this change is requested to restore purchasing power to some 16,000 recipients of Maine State Retirement System allowances.

Based on cash records as of June 30, 1980, not including fringe benefit equivalents, the cost to the State for its retirees is:

A. Increase (above the current 4%)	Cost
1%	\$404,286
2%	808,562
3%	1,212,858
4%	1,617,144

B. To the State for the payment for the teachers in the municipalities:

Increase (above the current 4%)	Cost
1%	\$582,030
2%	1,064,060
3%	1,746,090
4%	2,328,120

GRANTED BY TRUSTEES

DATE	C.P.I.	TRUSTEES	LEG.	GAP	ACCUM. SHORTAGE
6-30-76	5.90			5.90	5.90
6-30-77	6.90	4.00	6.80	(3.90)	2.00
6-30-78	7.30	4.00		3.30	5.30
6-30-79	10.90	4.00		6.90	12.20
6-30-80	14.40	4.00		10.40	22.60
6-30-81	13.00 est.				

AVERAGE ANNUAL BENEFIT IN 1979-80:

State—retired	\$4,734
Teacher—retired	6,001

In a 10-year period of double digit inflation, a \$10,000 income withers to a purchasing power of only \$2,000.