

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 1012

H.P. 749 House of Representatives, March 30, 1987  
Reference to the Committee on Aging, Retirement and  
Veterans suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative HICKEY of Augusta.

Cosponsored by Senators CLARK of Cumberland, RANDALL of  
Washington and Representative DAVIS of Monmouth.

STATE OF MAINE

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

1 AN ACT Relating to the Cost-of-living Formula  
2 for Retirees under the Maine State  
3 Retirement System.  
4

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

7 Sec. 1. 5 MRSA §17806, sub-§1, ¶¶A and B, as en-  
8 acted by PL 1985, c. 801, §§5 and 7, are amended to  
9 read:

10 A. Whenever there is a percentage change  
11 increase in the Consumer Price Index from July  
12 1st to June 30th, the board shall automatically  
13 make an equal percentage increase or-decrease in  
14 retirement benefits, beginning in September, up  
15 to a maximum annual increase or-decrease of 4%.

1 B. Whenever the annual percentage change  
2 increase in the Consumer Price Index from July  
3 1st to June 30th exceeds 4%, the board shall make  
4 whatever adjustments in the retirement benefits  
5 are necessary to reflect an annual increase or  
6 decrease of 4% and shall report that adjustment  
7 and the actual increase or decrease in the Con-  
8 sumer Price Index to the Legislature during the  
9 month of February of the following year. The  
10 percentage difference between the Consumer Price  
11 Index and 4% or the actual percentage increase  
12 granted by the Legislature shall be carried for-  
13 ward and applied to subsequent years when the  
14 Consumer Price Index is below 4%.

15 **Sec. 2. Transition provision.** Upon the effec-  
16 tive date of this Act, retirees' current benefits  
17 will be determined as if this provision had been in  
18 effect since 1980. Any excess over 4% in the Consum-  
19 er Price Index in any year or years shall be added to  
20 the increases granted in years that the Consumer  
21 Price Index was below 4%. Any remaining excess shall  
22 be carried forward to subsequent years.

23 STATEMENT OF FACT

24 The retirement system is funded based upon an ac-  
25 tuarial assumption that benefits are increased by 4%  
26 per year. Four percent is the maximum cost-of-living  
27 adjustment permitted under the law even in years when  
28 inflation is much higher. Retirees do not receive  
29 the full benefit of the contributions in years when  
30 inflation is below 4%. This bill corrects this  
31 inequity by allowing the excess over 4% to be carried  
32 forward to future years. The bill also prevents any  
33 decrease in benefits due to fluctuation in the Con-  
34 sumer Price Index.

35 1518031787