

# MAINE STATE LEGISLATURE

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L.D. 735

(Filing No. H-140 )

STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
114TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 538, L.D. 735, Bill, "An Act to Improve the Cost-of-living Adjustment Under the Maine State Retirement System"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

'5 MRSA §17806, sub-§1, ¶B, as enacted by PL 1985, c. 801, §§5 and 7, is amended to read:

B. Whenever the annual percentage change increase in the Consumer Price Index from July 1st to June 30th exceeds 4%, the board shall make whatever adjustments in the retirement benefits are necessary to reflect an annual increase or decrease of 4% and shall report that adjustment and submit a supplemental budget request to the Governor for the additional funds that would be required to make adjustments in the retirement benefits to reflect the actual increase or decrease in the Consumer Price Index to the Legislature during the month of February of the following year. The request shall include a report stating the cost of the 4% increase, the actual percentage increase in the Consumer Price Index and the percentage adjustments granted during the previous 5 years. The board shall make an additional adjustment in the retirement benefits in the month following the month of the effective date of the appropriation to reflect the amount, if any, that may be appropriated by the Legislature for that purpose. Prior to enactment by the Governor, there may be no entitlement to the additional adjustment requested by the board. If an additional adjustment is approved and granted, there may be no entitlement to increases in future years when the Consumer Price Index exceeds 4% without a similar request by the board followed by enactment into law.

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**FISCAL NOTE**

This bill provides for discretionary funding by the Legislature and the Governor of cost-of-living adjustments above the current 4% annual cap for retired state employees and retired teachers. If the Legislature and the Governor fully funded all of the future supplemental requests submitted by the Board of Trustees of the Maine State Retirement System, the increase in the unfunded actuarial reserve would total \$428,000,000. The estimated annual increase in General Fund appropriations to fully fund the cost-of-living adjustments above the 4% will be in excess of \$20,000,000.'

**STATEMENT OF FACT**

The current retirement system law limits the cost-of-living adjustments to a maximum of 4% per year. This could result in substantial losses to inflation for retirees, many of whom rely on retirement benefits as their sole or primary source of income during retirement years. This amendment requires that whenever the Consumer Price Index, CPI, rises more than 4% in a year, the Board of Trustees of the Maine State Retirement System will have the system's actuary determine the cost of granting an additional cost of living adjustment reflecting the difference between 4% and the actual increase in the CPI, after which they would submit a budget request for the required funds. If the Legislature appropriates the entire amount requested, the board would grant an additional increase equal to the difference between 4% and the actual increase in the CPI. If a smaller amount is appropriated, an additional increase, based upon the amount appropriated, would be granted. The additional cost-of-living adjustments will become a part of each retiree's base upon which future increases would be calculated.

Reported by the Committee on Aging, Retirement and Veterans  
Reproduced and distributed under the direction of the Clerk of the House  
5/4/89

(Filing No. H-140)