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L.D. 86

Date: 6/29/15 Majority (Filing No. H-502)

APPROPRIATIONS AND FINANCIAL AFFAIRS

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STATE OF MAINE

HOUSE OF REPRESENTATIVES

127TH LEGISLATURE

FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 69, L.D. 86, Bill, "An Act To Improve Retirement Security for Retired Public Employees"

Amend the bill in the emergency preamble by striking out all of the 3rd paragraph (page 1, lines 5 and 6 in L.D.) and inserting the following:

'**Whereas,** the projections that provide the basis for the calculation of retirement costs for the 2016-2017 biennium assumed that there would be a 2.55% cost-of-living adjustment awarded in September 2015 and September 2016; and'

Amend the bill by striking out everything after the enacting clause and before the emergency clause and inserting the following:

'**Sec. 1. 5 MRSA §17806, sub-§1, ¶A,** as amended by PL 2013, c. 424, Pt. B, §1, is further amended to read:

A. Except as provided in ~~paragraph~~ paragraphs A-1 and A-2, whenever there is a percentage increase in the Consumer Price Index from July 1st to June 30th, the board shall automatically make an equal percentage increase in retirement benefits, beginning in September, up to a maximum annual increase of 3%. Effective July 1, 2011, the increase applies to that portion of the retirement benefit up to $20,000, which amount must be indexed in subsequent years by the same percentage adjustments granted under this paragraph and paragraph A-2.

Sec. 2. 5 MRSA §17806, sub-§1, ¶A-2 is enacted to read:

A-2. Regardless of the amount of increase in the Consumer Price Index, for cost-of-living adjustments awarded in fiscal year 2015-16 and fiscal year 2016-17 only, the board shall automatically make a percentage increase in retirement benefits of no less than 2.55%. The increase applies to that portion of the retirement benefit that would otherwise be subject to an increase under subsection A.'

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SUMMARY

This amendment provides a minimum cost-of-living adjustment of 2.55% for benefits received by retired state employees, teachers, judges and Legislators for fiscal year 2015-16 and fiscal year 2016-17 only.

FISCAL NOTE REQUIRED

(See attached)

Approved: 06/25/15 mac

127th MAINE LEGISLATURE

LD 86 **LR 903(02)**

An Act To Improve Retirement Security for Retired Public Employees

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-502)
Committee: Appropriations and Financial Affairs
Fiscal Note Required: Yes

Fiscal Note

Potential future biennium cost increase - All Funds

Fiscal Detail and Notes

Current law requires a cost-of-living adjustment (COLA) equal to the Consumer Price Index (CPI) each fiscal year, up to a maximum of 3%, be applied to the first $20,000, also indexed to the CPI, of pension benefits received by retired state employees, teachers, judges and Legislators. This legislation sets a minimum COLA of at least 2.55% for fiscal year 2015-16 and fiscal year 2016-17 only. This 2.55% is the actuarial assumption used in developing employer contribution rates for the 2016-2017 biennium.

According to Maine Public Employees Retirement System, providing a minimum COLA of 2.55% for benefits received by retired state employees, teachers, judges and legislators in fiscal year 2015-16 and fiscal year 2016-17 will not result in an actuarially significant cost to the plans due to the provision being provided on a one-time basis. If, however, this provision were to be provided repeatedly in future years, it could result in future costs, as the actuarial assumption for the COLA may need to be increased.

The provisions in this bill may also result in higher costs to the State in future bienniums if the CPI is lower than the actuarial assumption for the COLA in the 2016-2017 biennium due to potential actuarial gains that may have been realized being unavailable to be factored into the development of future employer contribution rates.