

MAINE STATE LEGISLATURE

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127th MAINE LEGISLATURE

FIRST REGULAR SESSION-2015

Legislative Document

No. 212

S.P. 81

In Senate, February 3, 2015

An Act Concerning Cost-of-living Adjustments for Certain Retirees

(EMERGENCY)

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator DAVIS of Piscataquis.

Cosponsored by Senators: BURNS of Washington, KATZ of Kennebec, SAVIELLO of Franklin, Representatives: CRAFTS of Lisbon, HIGGINS of Dover-Foxcroft, MARTIN of Sinclair, PICCHIOTTI of Fairfield, STEARNS of Guilford.

1 **Emergency preamble.** Whereas, acts and resolves of the Legislature do not
2 become effective until 90 days after adjournment unless enacted as emergencies; and

3 **Whereas,** cost-of-living adjustments are applied to the applicable portion of an
4 eligible retiree's benefit amount beginning in September of each year; and

5 **Whereas,** this legislation may affect the percentage increase to be applied to the
6 applicable portion of an eligible retiree's benefit amount beginning in September 2015;
7 and

8 **Whereas,** in the judgment of the Legislature, these facts create an emergency within
9 the meaning of the Constitution of Maine and require the following legislation as
10 immediately necessary for the preservation of the public peace, health and safety; now,
11 therefore,

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

13 **Sec. 1. 3 MRSA §858,** as amended by PL 2007, c. 491, §31, is further amended to
14 read:

15 **§858. Cost-of-living and other adjustments**

16 Retirement allowances under this chapter must be adjusted on the same basis as
17 provided for members of the State Employee and Teacher Retirement Program by Title 5,
18 ~~section~~ sections 17806 and 17806-A.

19 **Sec. 2. 4 MRSA §1358, sub-§1,** as repealed and replaced by PL 2011, c. 380, Pt.
20 T, §9, is amended to read:

21 **1. Cost-of-living adjustments.** Except as provided in subsection 2, paragraph A,
22 retirement allowances under this chapter must be adjusted on the same basis as provided
23 for members of the State Employee and Teacher Retirement Program by Title 5, ~~section~~
24 sections 17806 and 17806-A.

25 **Sec. 3. 5 MRSA §17806-A** is enacted to read:

26 **§17806-A. Cost-of-living adjustment to retirement benefits for retirees who are**
27 **surviving members**

28 Notwithstanding section 17806, cost-of-living adjustments to the retirement benefits
29 being paid to retired state employees and teachers who are surviving members is
30 governed by this section. As used in this section, "surviving member" means a retired
31 member whose spouse received social security benefits and who is deceased.

32 **1. Determination of adjustment.** The cost-of-living adjustment is determined as
33 follows.

34 A. Except as provided in paragraph B, whenever there is a percentage increase in the
35 Consumer Price Index from July 1st to June 30th, the board shall automatically make
36 an equal percentage increase in retirement benefits, beginning in September, up to a

1 maximum annual increase of 4%. The increase applies to that portion of the
2 retirement benefit up to \$20,000, which amount must be indexed in subsequent years
3 by the same percentage adjustments granted under this paragraph.

4 B. If there is a percentage decrease in the Consumer Price Index from July 1st to
5 June 30th, the board shall set the percentage change at 0% for that September. The
6 adjustment for the following year must be set based on the actuarially compounded
7 Consumer Price Index for both years in a cost-neutral manner. If the Consumer Price
8 Index in the subsequent year or years is not sufficient to allow for the adjustment to
9 be cost-neutral for the 2 years, then the adjustment needed for cost-neutrality must
10 continue to be applied to following years until such time as the cost-neutrality
11 requirement is met.

12 C. Whenever the annual percentage increase in the Consumer Price Index from July
13 1st to June 30th exceeds 4%, the board shall make whatever adjustments in the
14 retirement benefits are necessary to reflect an annual increase of 4% and shall submit
15 a supplemental budget request to the Governor for the additional funds that would be
16 required to make adjustments in the retirement benefits to reflect the actual increase
17 in the Consumer Price Index. The request must include a report stating the cost of the
18 4% increase, the actual percentage increase in the Consumer Price Index and the
19 percentage adjustments granted during the previous 5 years. The board shall make an
20 additional adjustment in the retirement benefits in the month following the
21 appropriation only in that amount.

22 D. Notwithstanding any other provision of this section, the amount of annual
23 retirement benefit otherwise payable under this Part may not be less than the
24 retirement benefit the surviving member received on the effective date of that
25 surviving member's retirement or on July 1, 1977, whichever amount is greater.

26 **2. Cost.** The board shall determine the costs of the adjustments under this section
27 and shall include those costs in its budget requests.

28 **3. Eligibility.** Cost-of-living adjustments under this section must be applied to the
29 retirement benefits of all surviving members who have been retired for at least 12 months
30 before the date that the adjustment becomes payable, except that a surviving member who
31 has less than 10 years of creditable service on July 1, 1993 may not receive a cost-of-
32 living adjustment until at least 12 months after reaching normal retirement age.
33 Beneficiaries of deceased retirees and surviving members are eligible for the cost-of-
34 living adjustment under section 17806 at the same time the deceased retiree or surviving
35 member would have become eligible.

36 **4. Limitation on changes in eligibility.** Effective October 1, 1999:

37 A. The time requirement of subsection 3 that a surviving member be retired for at
38 least 12 months before a cost-of-living adjustment becomes payable may not be
39 increased for a surviving member who, on October 1, 1999 or thereafter, meets the
40 creditable service requirement for eligibility to receive a service retirement benefit, at
41 the applicable age if so required, under section 17851 or section 17851-A, subsection
42 2;

1 B. The time requirement that a surviving member who had fewer than 10 years of
2 creditable service on July 1, 1993 may not receive a cost-of-living adjustment until at
3 least 12 months after reaching normal retirement age may not be increased for a
4 surviving member who, on October 1, 1999 or thereafter, meets the creditable service
5 requirement for eligibility to receive a service retirement benefit, at the applicable age
6 if so required, under section 17851, subsection 1-C, paragraph A; section 17851,
7 subsection 1-C, paragraph B; section 17851, subsection 2-C, paragraph A; section
8 17851, subsection 2-C, paragraph B; or section 17851-A, subsection 2, paragraph A;
9 and

10 C. The time requirement that a surviving member who had fewer than 10 years of
11 creditable service on July 1, 1993 may not receive a cost-of-living adjustment until at
12 least 12 months after reaching normal retirement age may not be made applicable to a
13 surviving member who had at least 10 years of creditable service on July 1, 1993.

14 **Emergency clause.** In view of the emergency cited in the preamble, this
15 legislation takes effect when approved.

16 **SUMMARY**

17 This bill restores the previous cost-of-living adjustment cap of 4% for benefits
18 received by a retired state employee, teacher, judge and legislator whose spouse received
19 social security benefits and has passed away. Public Law 2011, chapter 380, Part T
20 reduced the retirement benefit cost-of-living adjustment cap from 4% to 3%.