

Date: March 26, 2025

To: Senator Michael Tipping, Senate Chair
Representative Amy Roeder, House Chair
Members, Joint Standing Committee on Labor

From: Bill Brown, Director of Actuarial and Legislative Affairs

Subject: LD 1021, An Act to Remove Certain Cost-of-living Adjustment Restrictions for Retired Members of the Law Enforcement Bargaining Unit Who Are 65 Years of Age or Older

Good morning Senator Tipping, Chair Roeder and the other distinguished members of the Joint Standing Committee on Labor. I am Bill Brown, Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System (MainePERS).

MainePERS is neither for nor against LD 1021. We are here to provide information and to offer any assistance the committee may request surrounding this bill.

State employee and teacher pensions receive cost of living adjustments (COLAs) tied to the Consumer Price Index (CPI). The current cap ("COLA cap") on COLA is 3%, established in 2011. Also in 2011 the amount of a retiree's benefits on which the COLA applies ("COLA Base") was limited to \$20,000, indexed annually based on the percentage of COLA paid. The 2025 COLA base is \$26,428.98. A sheet detailing the most recent history of COLA changes is attached to this testimony.

It is our understanding after speaking with those familiar with the bill that the intent is to remove the COLA Base once a retiree from one of the stated positions reaches age 65, effective with the COLA awarded in September 2025. As drafted, the bill appears to require coverage for employees who retire at age 65 or older. However, the majority of the positions covered are currently included in special plans that permit retirement well before age 65. Specifically, the COLA base for current retirees who are at least age 65 would be removed and those who are not yet age 65 as well as future retirees would have no COLA base limitation when they reach age 65. If that is the intent, we are happy to work with the bill sponsor and the Committee Analyst to amend the bill to ensure the intent is clear.

This bill will have a fiscal impact as the Maine Constitution does not permit the creation of new or additional benefits unless they are immediately and fully funded. LD 1021 creates additional benefits that are not currently accounted for or funded, creating a new unfunded actuarial liability (UAL). UAL and normal costs attributable to this proposed change remain to be calculated. We have not yet obtained costs for this bill pending guidance from the Committee. Thank you for your consideration of this testimony. I am happy to answer questions and we will be present for the work session.

State-Sponsored Plans COLA History
Prepared by MainePERS – 08/13/2024

YEAR	CPI-U	COLA CAP	COLA PAID	ELIGIBLE BENEFIT (COLA BASE)	MAX COLA	STATUTORY CHANGES
2007	2.70%	4.00%	2.70%			
2008	5.00%	4.00%	4.00%			
2009	-1.40%	4.00%	0.00%			Negative CPI-U; no decrease in benefit. (PL 2009, c. 433)
2010	1.10%	4.00%	0.00%			COLA reduced to account for prior year negative CPI-U. (PL 2009, c. 433)(PL 2009, c. 473)
2011	3.60%	3.00% of eligible benefit	0.00%			COLA frozen; COLA Cap decreased; maximum benefit level eligible for COLA set to \$20,000, indexed (PL 2011, c. 380)
2012	1.70%	3.00% of eligible benefit	0.00%			COLA frozen; one-time non-cumulative COLA of 3% of benefit up to \$20k paid (PL 2011, c. 380)
2013	1.80%	3.00% of eligible benefit	0.00%			COLA frozen; one-time non-cumulative COLA of 1.70% of benefit up to \$20k paid (PL 2011, c. 380)
2014	2.10%	3.00% of eligible benefit	2.10%	\$20,000.00	\$420.00	One-time non-cumulative COLA of 1.8% of benefit up to \$30k paid (PL 2013, c. 578)
2015	0.10%	3.00% of eligible benefit	2.55%	\$20,420.00	\$520.71	COLA rate set for two-year period (minimum 2.55%) (PL 2015, c. 334)
2016	1.00%	3.00% of eligible benefit	2.55%	\$20,940.71	\$533.99	COLA rate set for two-year period (minimum 2.55%) (PL 2015, c. 334)
2017	1.60%	3.00% of eligible benefit	1.60%	\$21,474.70	\$343.60	
2018	2.90%	3.00% of eligible benefit	2.90%	\$21,818.30	\$632.73	
2019	1.60%	3.00% of eligible benefit	1.60%	\$22,451.03	\$359.22	
2020	0.60%	3.00% of eligible benefit	0.60%	\$22,810.24	\$136.86	
2021	5.40%	3.00% of eligible benefit	4.00%	\$22,947.11	\$917.79	Additional 1% COLA eff 9/1/2021 (PL 2021, c. 635, Pt. NN).
2022	9.10%	3.00% of eligible benefit	3.00%	\$24,186.25	\$725.59	2022 COLA base increased to reflect full 2021 CPI-U (PL 2021, c. 635, Pt. NN); one-time non-cumulative payment of 1.00% of COLA Base paid (PL 2023, c. 3, Pt. J); one-time non-cumulative payment of 3.00% paid (PL 2023, c. 412, Pt. HHHHH)
2023	3.00%	3.00% of eligible benefit	3.00%	\$24,911.84	\$747.36	
2024	3.00%	3.00% of eligible benefit	3.00%	\$25,659.20	\$769.78	
2025				\$26,428.98		