

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 1040, An Act to Raise the Cap on Retirement Benefits for Certain State Employees and Teachers to Which a Cost-of-living Adjustment Is Made

Good morning, Senator Tipping, Representative Roeder and 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 1040, An Act to Raise the Cap on Retirement Benefits for Certain State Employees and Teachers to Which a Cost-of-Living Adjustment Is Made. We are here to provide information and to provide 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.

LD 1040 proposes that effective July 1, 2026, the COLA Base increase to \$40,000 for State employee and Teacher (State/Teacher Plan) members who retired on or before June 30, 2011.

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 1040 creates additional benefits that are not currently accounted for or funded, creating a new unfunded actuarial liability (UAL). MainePERS estimates that an increase to \$40,000 of the COLA Base for State/Teacher Plan members retired on or before June 30, 2011, effective July 1, 2026, creates a UAL of \$118.2M.

Thank you for your consideration of this testimony. I am happy to answer any questions at this time and will be available at 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		