



# 128th MAINE LEGISLATURE

LD 726

LR 879(01)

## An Act To Restore Full Cost-of-living Increases for All Maine State Retirees

### Preliminary Fiscal Impact Statement for Original Bill

**Sponsor: Rep. Espling of New Gloucester****Committee: Appropriations and Financial Affairs****Fiscal Note Required: Yes**

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### Preliminary Fiscal Impact Statement

Current biennium cost increase - All Funds

Current biennium cost increase - Local School Administrative Units

#### 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 requires that the COLA be applied to the full benefit received by the retiree. This will increase both the normal cost and unfunded actuarial liability of the Maine Public Employees Retirement System (MainePERS). Pursuant to the Constitution of Maine, Article IX, Section 18-A, unfunded liabilities may not be created except those that result from experience losses. Therefore, any unfunded liability created by the provisions in this legislation must be funded immediately.

Based on estimates provided by the MainePERS, applying the COLA to the full benefit received by a retiree will increase required employer contributions during the current biennium by a total of \$802,060,000 in fiscal year 2017-18 and \$8,260,000 in fiscal year 2018-19. Of that amount, \$2,603,890 and \$2,592,000 in fiscal years 2017-18 and 2018-19, respectively, will be borne by local school administrative units for their share of the normal cost of teacher retirement.

The Teacher Retirement program within the Department of Education will require a one-time General Fund appropriation of \$550,000,000 in fiscal year 2017-18 for the increased costs to the unfunded actuarial liability of the teacher retirement portion of the State Employee and Teacher plan. Additionally, the General Purpose Aid for Local Schools program will require General Fund appropriations of \$2,696,110 in fiscal year 2017-18 and \$2,808,000 in fiscal year 2018-19 for the State's share of the normal cost of teacher retirement.

The Retirement Allowance Fund within the Maine State Retirement System will require General Fund appropriations of \$246,760,000 in fiscal year 2017-18 and \$2,860,000 in fiscal year 2018-19 for the increased costs this provision is anticipated to have on the normal cost and unfunded actuarial liability of the State employee portion of the State Employee and Teacher plan and the Judicial Retirement plan.

This provision is not expected to result in increased costs to the Legislative Plan due to the actual benefits paid to retired legislators being well below the current \$20,000 cap.