



131st MAINE LEGISLATURE

LD 70

LR 209(01)

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

Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Rep. Dodge of Belfast

Committee: Labor and Housing

Fiscal Note Required: Yes

Preliminary Fiscal Impact Statement

Future biennium cost increase - All funds

Future biennium cost increase - Local school administrative units

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
Net Cost (Savings)				
General Fund	\$1,192,325,370	\$0	\$0	\$0
Appropriations/Allocations				
General Fund	\$1,192,325,370	\$0	\$0	\$0

Fiscal Detail and Notes

This legislation requires that cost-of-living increases for retired teachers, state employees, judges and legislators be applied to the retiree's entire retirement benefit instead of only to the first \$24,186.25 as required in current law. According to the Maine Public Employees Retirement System, this provision will create an unfunded actuarial liability (UAL) totaling \$1,192,325,370 that, pursuant to the Maine Constitution, will have to be funded immediately. The Teacher Retirement program within the Department of Education will require a one-time General Fund appropriation of \$828,131,082 in fiscal year 2023-24 for the retired teachers' portion of the UAL cost. A one-time General Fund appropriation of \$364,194,288 to the Retirement Allowance Fund within the Maine Public Employees Retirement System will be required in fiscal year 2023-24 to pay for the retired state employees, judges and legislators portion of the UAL cost.

This provision will also increase the normal cost component of the employer retirement rate beginning in the 2026-2027 biennium (future costs). The increase in the employer contribution rate for state employees and teachers under the state employee and teacher retirement program is estimated to be 0.74% and 0.70%, respectively. The increase in the employer contribution rate for judges under the judicial retirement program is anticipated to be 2.17%.