



131st MAINE LEGISLATURE

LD 70

LR 209(02)

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

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Labor and Housing

Fiscal Note Required: Yes

Fiscal Note

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	\$744,991,105	\$0	\$0	\$0
Appropriations/Allocations				
General Fund	\$744,991,105	\$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 first \$40,000 of the retiree's 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 \$744,991,105 that, pursuant to the Maine Constitution, will have to be funded immediately. This bill includes a one-time General Fund appropriation of \$518,348,543 in fiscal year 2023-24 to the Teacher Retirement program within the Department of Education for the retired teachers' portion of the UAL cost. It also includes a one-time General Fund appropriation of \$226,642,562 to the Retirement Allowance Fund within the Maine Public Employees Retirement System 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 0.41% and 0.42%, respectively. The increase in the employer contribution rate for judges under the judicial retirement program is anticipated to be 0.81%.