



127th MAINE LEGISLATURE

LD 86

LR 903(03)

An Act To Improve Retirement Security for Retired Public Employees

Fiscal Note for Bill as Engrossed with:

C "A" (H-502)

Committee: Appropriations and Financial Affairs

Fiscal Note

Potential future biennium cost increase - All Funds

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 sets a minimum COLA of at least 2.55% for fiscal year 2015-16 and fiscal year 2016-17 only. This 2.55% is the actuarial assumption used in developing employer contribution rates for the 2016-2017 biennium.

According to Maine Public Employees Retirement System, providing a minimum COLA of 2.55% for benefits received by retired state employees, teachers, judges and legislators in fiscal year 2015-16 and fiscal year 2016-17 will not result in an actuarially significant cost to the plans due to the provision being provided on a one-time basis. If, however, this provision were to be provided repeatedly in future years, it could result in future costs, as the actuarial assumption for the COLA may need to be increased.

The provisions in this bill may also result in higher costs to the State in future bienniums if the CPI is lower than the actuarial assumption for the COLA in the 2016-2017 biennium due to potential actuarial gains that may have been realized being unavailable to be factored into the development of future employer contribution rates.