



132nd MAINE LEGISLATURE

LD 1003

LR 1598(01)

An Act Establishing the Retirement Benefit Improvement Fund

Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Rep. Dodge of Belfast

Committee: Labor

Fiscal Note Required: Yes

Preliminary Fiscal Impact Statement

Redistribution of final priority transfers

	FY 2025-26	FY 2026-27	Projections FY 2027-28	Projections FY 2028-29
Appropriations/Allocations				
Other Special Revenue Funds	\$500	\$500	\$500	\$500

Fiscal Detail and Notes

Currently, cost-of-living increases for retired teachers, state employees, judges and legislators are applied to a portion of a retiree's benefit instead of the full amount. In 2024, the cost-of-living adjustment was applied to the first \$25,659 of a retiree's benefit. That amount will increase to \$26,429 for 2025. Increasing the portion of a retiree's benefit to which the cost-of-living increase is applied beyond this amount will create an unfunded actuarial liability that, pursuant to the Constitution, will need to be funded prior to the increase taking effect. The most recent cost estimate, prepared by the Maine Public Employees Retirement System in February 2023, of applying the cost-of-living adjustment to a retiree's full benefit amount is \$1,192,325,370.

This bill establishes the Retirement Benefit Improvement Fund as a dedicated, nonlapsing fund within the Department of Administrative and Financial Services for the purpose of accumulating funds to pay for retirement benefit improvements for retired state employees and teachers and their beneficiaries such as increasing the base in which a retiree's cost-of-living adjustment is applied. The bill requires that any remaining balance of the unappropriated surplus of the General Fund at the end of each fiscal year be transferred, as the 5th priority, to the fund until such time as the cost-of-living adjustment is applied to a retiree's full retirement benefit. Adding this priority will suspend any funding for other statutory priorities of the cascade that fall after the Retirement Benefit Improvement Fund.