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**Testimony in Support of Senate Bill 490  
State Retirement and Pension System - Consumer Price Index – Definition**

**Senate Budget and Tax Committee  
February 8, 2024  
9:00 A.M.**

**Anne Gawthrop  
Director of Legislative Affairs  
State Retirement Agency**

The Board of Trustees for the State Retirement and Pension System wishes to express its support for Senate Bill 490, State Retirement and Pension System - Consumer Price Index – Definition. Senate Bill 490 is legislation sponsored by the Joint Committee on Pensions at the request of the Board.

Section 29-401 of the State Personnel and Pensions Article defines the Consumer Price Index for purposes of calculating annual retiree cost of living adjustments (COLAs) as “the annual average Consumer Price Index (CPI) (all urban consumers, United States city average, all items, not seasonally adjusted, 1967 = 100) for the calendar year ending December 31 as published by the United States Department of Labor, Bureau of Labor Statistics. The CPI for all urban consumers measures the monthly change in consumer prices for a representative basket of goods and services. The definition under § 29-401 uses 1967 as the base year for determining the CPI. However, the 1967 index was retired in 1988 by the Bureau of Labor Statistics and replaced with the 1982-84 index. While the Bureau of Labor Statistics is still publishing the 1967 index, there is a risk that at some point they will discontinue publishing it. This could be problematic for staff if this occurs when the legislature is out of session, and we cannot seek corrective legislation for several months. Senate Bill 490 addresses these concerns by amending the definition of CPI under § 29-401(d) to reference the 1982-84 index instead of the 1967 index.

The State Retirement Agency has reached out the Department of Legislative Services and has been told that several other areas of the Maryland Annotated Code that reference the CPI, have already switched from using the 1967 index to now using the 1982-84 index. Additionally, a comparison of the growth rate determined by current formula for calculating the CPI for retiree COLAs using both the 1967 index and the 1982-84 index was recently completed. The results of this comparison found that the same growth rate was calculated using the 1967 index and the 1982-84 index, indicating that had the Agency used the 1982-84 index to calculate the retiree COLAs for the past 10 years, this would have resulted in the same retiree COLAs that were calculated using the 1967 index.

We appreciate being given this opportunity to express our support to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 490.

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