

Testimony in Support of Senate Bill 490 CPI Index

Uploaded by: Anne Gawthrop

Position: FAV



STATE RETIREMENT AGENCY
120 East Baltimore Street
Baltimore, MD 21202-6700

MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

410-625-5555 • 1-800-492-5909
TTY Users: call via Maryland Relay
sra.maryland.gov

**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.

BOARD OF TRUSTEES

Dereck E. Davis, *Chair*
Linda Vaughn Allen
Jamaal R. A. Craddock
James P. Daly, Jr.

Ayana K. English-Brown
Helene Grady
Sheila Hill

Michael J. Howard
Richard E. Norman
Mia N. Pittman

Brooke Lierman, *Vice-Chair*
Douglas Prouty
Michelle RhodesBrown
Robert F. Sandlass, Jr.

Martin Noven, *Secretary to the Board*

SB490_AARP_Morgan_FAV.pdf

Uploaded by: Karen Morgan

Position: FAV



One Park Place | Suite 475 | Annapolis, MD 21401-3475
1-866-542-8163 | Fax: 410-837-0269
aarp.org/md | md@aarp.org | twitter: @aarpmd
facebook.com/aarpmd

**SB 490 – State Retirement and Pension System – Consumer Price Index - Definition
FAVORABLE
Senate Budget and Taxation Committee
February 8, 2024**

Good afternoon, Chairman Guzzone and Members of the Senate Budget and Taxation Committee. I am Karen Morgan, a member of the Executive Council for AARP Maryland. As you may know, AARP Maryland is one of the largest membership-based organizations in the Free State, encompassing almost 850,000 members. We thank Senator Jackson, Senate Chairman of the Joint Committee on Pensions, for sponsoring this legislation.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities, and fights for the issues that matter most to families such as health care, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

SB 490 would replace the 1967 Consumer Price Index for all urban consumers that is used to calculate retirement cost of living increases, with the index published for 1982-1984, in the calendar year ending December 31, as published by the U.S. Department of Labor, Bureau of Labor and Statistics.

AARP Maryland supports the recommendation and this bill from the Joint Committee on Pensions. Given AARP advocacy for people ages 50 and older, the security of retirement finances is top priority. The Bureau of Labor Statistics is slated to cease publication of the 1967 Consumer Price Index for all urban consumers, rendering its use as a reference point obsolete. Replacement of the 1967 index with the more current index for 1982-1984 is necessary to ensure that the cost of living increases calculated by the State Retirement and Pension System for retirees from state employment remain reasonably current.

AARP supports SB 490 and respectfully requests the Senate Budget and Taxation Committee to issue a favorable report. For questions, please contact Tammy Bresnahan, Director of Advocacy for AARP Maryland at tbresnahan@aarp.org, or by calling 410-302-8451.



2024JacksonTestimonySB490.pdf

Uploaded by: Michael Jackson

Position: FAV

MICHAEL A. JACKSON
Legislative District 27
Calvert, Charles and
Prince George's Counties



Annapolis Office
Miller Senate Office Building
11 Bladen Street, Suite 3 West
Annapolis, Maryland 21401
410-841-3700 · 301-858-3700
800-492-7122 Ext. 3700
Michael.Jackson@senate.state.md.us

Budget and Taxation Committee

Subcommittees

Chair, Pensions

Public Safety, Transportation, and
Environment

District Office
250 Merrimac Court
Prince Frederick, Maryland 20678

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY – SENATE BILL 490

***STATE RETIREMENT AND PENSION SYSTEM –
CONSUMER PRICE INDEX – DEFINITION***

BUDGET AND TAXATION COMMITTEE

FEBRUARY 8, 2024

Fellow Committee Members:

Senate Bill 322 is a very straightforward piece of legislation that updates our definition of Consumer Price Index to replace the 1967 index with the 1982-1984 index in some calculations used by the State Retirement and Pension System.

This is a technical change requested by the State Retirement and Pension System to provide more precise accounting and accurate and efficient calculations of retirement benefits.

For the reasons listed above, I ask for a favorable report of Senate Bill 490.