

MainePERS Disability Working Group

Disability Working Group Charge

The Disability Working Group is charged with advising MainePERS on the development of an LTDI (long-term disability insurance) implementation plan, accompanying legislation, and report to the joint standing committee of jurisdiction by January 3, 2023. The Working Group is also charged with providing feedback to MainePERS on the experience of members under the new disability retirement program for MainePERS' report to the joint standing committee of jurisdiction due by January 31, 2023.

(See language of Public Law 2021, c. 277, sections 43 and 44 below).

Disability Working Group Members

Cindy Branscom, Maine Municipal Association
Rick Cailler, Professional Fire Fighters of Maine
Paul Gaspar, Maine Association of Police
Sylvia Hebert, AFSCME Council 93
Bill Laubenstein, Maine Association of Retirees
Jeff McCabe, Maine Service Employees Association
Heather Perreault, Maine Department of Administrative and Financial Services
Craig Poulin, Maine State Troopers Association
Deb Roberts, Maine School Management Association
Mark Roberts, Maine State Law Enforcement Association
Mary Anne Turowski, Governor's Office
Nate Williams, Maine Education Association
Rebecca Wyke, MainePERS (chair)

MainePERS Staff

Michael Colleran
Chip Gavin
Kathy Morin
Mara McGowan

Public Law 2021, c. 277

Sec. 43. Implementation plan for mandatory long-term disability insurance. The Maine Public Employees Retirement System shall convene a stakeholder group, including representatives of participant employers and employee groups, to develop an implementation plan for providing mandatory long-term disability insurance coverage to retirement system members through their employers. The Maine Public Employees Retirement System shall submit an implementation plan, including any recommended legislation, to the joint standing committee of the Legislature having jurisdiction over retirement matters no later than **January 3, 2023**. The joint standing committee of the Legislature having jurisdiction over retirement matters may report out a bill to the 131st Legislature on matters related to the report.

Sec. 44. Report on disability retirement. The Maine Public Employees Retirement System shall report to the joint standing committee of the Legislature having jurisdiction over retirement matters, no later than **January 31, 2023**, on the experience of the system and its members after the implementation of this Act. The joint standing committee of the Legislature having jurisdiction over retirement matters may report out a bill to the 131st Legislature on matters related to the report.

2019 RFP

Section 2: Program Objectives

The goal of the new LTD benefit is to provide participating employers with readily available and affordable group disability insurance coverage options for their employees who are MainePERS members. To that end, the program includes plan options which employers will be able to evaluate, allowing them to select the most appealing option in terms of coverage and cost. The primary objectives of the MainePERS long-term disability insurance program are provided below:

1. Bridging the income replacement gap for employees who are unable to work due to a long-term disability, but who do not, or do not yet, qualify for retirement under the existing MainePERS benefit programs.
2. Providing insurance coverage for disabilities that are not permanent and/or result in a partial reduction in work hours and wages.
3. Coordinating disability insurance coverage with existing employee benefit programs to avoid complexity, over-insurance, and excessive cost.
4. Providing options that are affordable to the employers, to maximize the number of employees who have basic coverage.
5. Including benefit buy-up options that can be paid for by employers or employees.
6. Encouraging return to work and rehabilitation for LTD recipients.
7. Providing a positive and helpful experience to employees and employers throughout the LTD claim process.
8. Developing clear and effective communications about the LTD program that use existing approaches and terminology where possible.
9. Partnering with an insurance carrier who can perform the whole LTD process, and coordinate with MainePERS at the point when a disability may have become permanent.
10. Keeping existing MainePERS benefits as is.

2019 RFP

Section 3: Program Design

This section of the RFP contains LTD program design specifications. The program includes plan options which vary in terms of benefits and the employer contribution level. Employers will choose from the different options in order to identify the plan and funding mechanism most suitable to their needs.

LTD and Disability Retirement Integration:

The MainePERS LTD program will be coordinated with the existing Disability Retirement benefit. But, the carrier will serve as the single point of contact for initiation of all LTD benefits.

- The carrier will be responsible for all decisions on the LTD benefits and keep MainePERS informed on the status of such decisions. The carrier will be the claim fiduciary on the fully insured LTD benefit.
- Information collected by the carrier in the context of its LTD insurance administration will be available to and shared with MainePERS should an application for disability retirement be pursued subsequent to a member's interactions with or coverage by the carrier. MainePERS will retain claim fiduciary responsibilities on the disability retirement.
- In instances when the carrier believes a claimant's condition may be appropriate for consideration under the MainePERS retirement program, the carrier will collaborate with MainePERS to evaluate the situation in terms of standards applicable to disability retirement.

From an income replacement perspective, the LTD benefit percent exactly matches the Disability Retirement benefit percent, so if an employee qualifies for Disability Retirement benefits, the LTD benefit would be offset by the disability retirement benefit (subject to the \$100 minimum monthly benefit). Also, the maximum LTD benefit period reflects an employee's normal service retirement date, meaning that LTD benefits will terminate once the payee qualifies for a Service Retirement benefit without an early retirement reduction.

Member Employer Choice:

Employers will have the opportunity to select one of the three options which all require an employer contribution in order to participate.

MainePERS Target Long-Term Disability Program Design Specifications			
Plan Feature	Employer Alternatives		
	Employer Paid Option 1	Contributory Option 2	Core and Buy-Up Option 3
Employer Contribution	100% Employer Paid	Contributory: Employer contribution is required but the Employer determines the cost share at an employer level	Core: 100% ER paid Buy-Up: 100% EE Paid
Maximum Monthly Benefit	\$8,000	\$8,000	Core: \$1,000 Buy-Up: \$7,000
Enrollment	100% Participation with no opt-out	All employees will be defaulted as "enrolled". If they opt-out, they will not be covered for any LTD benefit.	All employees will be enrolled in the core plan. Employees will have the option to buy-up.
Taxability	100% taxable	All employee contributions will be post-tax so that the portion of the benefit contributed to by the employee will not be taxable.	
Elimination Period	Later of: (a) 180 days of disability, and (b) the date the member exhausts Short Term Disability days.		
Benefit Percent	59% or 66.67% depending on Disability Retirement benefit		
Eligibility	All employees who are active members of MainePERS		
Waiting Period	Coverage begins the date the member becomes an eligible employee. If a member is not actively at work on the date his or her coverage would otherwise become effective, coverage will begin on the date he or she returns to active work.		
Termination Date	A member's coverage will end on the earliest of: <ul style="list-style-type: none"> • Date plan terminates • Date member ceases to be eligible for coverage under the plan • Date an individual is no longer a member • The last date member is on the payroll of a participating employer 		
Minimum Monthly Benefit	\$100		
Maximum Benefit Period	Service retirement date (see Exhibit D for MainePERS schedule of service retirement dates)		
Definition of Disability	For the first 24 months in which benefits are paid, an eligible employee will be considered disabled if he or she is unable to perform the material and substantial duties of his or her own occupation due to sickness or injury, and resulting in at least a 20% loss of earnings. After benefits have been paid for 24 months, the employee will be considered disabled if he or she is unable to perform the material and substantial duties of any gainful occupation.		
Work Incentive Benefit (WIB)	Return-to-work earnings will not reduce LTD benefit for first 12 months unless the sum of return-to-work earnings and LTD benefit exceeds 100% of pre-disability earnings		

Offsets for Work Earnings after WIB	After WIB period, LTD benefits will be offset according a proportionate loss formula in which the deduction to the LTD benefit is proportionate to the member's return-to-work earnings ratio.
Other Offsets	MainePERS Disability Retirement, MainePERS Retirement, Social Security awards (note it is estimated that 65-75% of employees in the eligible population do not qualify for SS), Workers' Compensation, Sick Pay etc.
MNAD Benefit Limitations	Disabilities due to mental illness and/or drug and alcohol abuse will be limited to a lifetime maximum of 24 monthly benefit payments.
Survivor Benefit Amount	Survivor benefit equal to three times the gross monthly benefit amount, payable if disabled member received at least 12 monthly benefit payments prior to the date of death.
Pre-Existing Condition Limitation	During the first 12 months of insurance, benefits will not paid for disabilities caused by conditions that existed three months prior to the coverage effective date.

Updated Financial Information: Proposed Premiums for LTDI based on 2019 RFP

In July 2022 MainePERS contracted with Milliman to conduct a process to refresh the financial quotes from the 2019 RFP process. Milliman contacted the finalists from the 2019 process and obtained updated quotes based on current information from MainePERS. Below is the updated information for a maximum monthly benefit of \$8000.

Table 1 Proposed Premium Rates for 100% Employer-Paid Coverage As a percentage of Covered Payroll					
State Public Safety	State All Others	Education	PLD Public Safety	PLD All Others	
0.12 – 0.40 %	0.19 – 0.48%	0.12 – 0.34%	0.11 – 0.40%		0.18 – 0.31%

Table 2 Estimated Annual Premium for 100% Employer-Paid Coverage (Option 1)					
State Public Safety	State All Others	Education	PLD Public Safety	PLD All Others	Total
\$68,896 –	\$985,899 –	\$1,366,147 –	\$27,100 –	\$774,036 –	\$3,222,079 –
\$229,654	\$2,490,693	\$3,836,596	\$98,544	\$1,337,363	\$7,954,172

Table 3 Estimated Annual Premium for MainePERS LTD Program Options MainePERS Disability Retirement Benefits					
Option 1		Option 2		Option 3 (Core Only)	
\$3,222,079 – \$7,954,172		\$2,582,206 – \$7,132,382		\$1,211,389 – \$2,825,158	

Option 1 100% employer-paid coverage

Option 2 Cost shared between employer and employee; employer determines cost share

Option 3 core/buy-up benefit; \$1000 per month core paid by the employer with additional coverage, if desired, paid by employee

Table 4
Proposed Fees for Administrative Services Only
MainePERS Disability Retirement Benefits

Per Member Per Month	Transactional (Per Submitted Claim)
\$0.30 charged to all MainePERS participating members	\$1,036 per disability retirement claim from members not enrolled in LTD plan
\$0.55 charged to members not enrolled in the LTD insurance plan	\$12,500 one-time acquisition fee; \$510 per disability retirement claim submitted by members not enrolled in LTD plan; \$47 per disability retirement claim per month for members not enrolled in LTD plan
\$0.30 charged to all MainePERS participating members	\$950 initial set up per LTD and/or disability retirement claim; \$40 per claim per month Technical Review