

DATE: January 20, 2026

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor

FROM: Bill Brown, Director, Actuarial and Legislative Affairs

SUBJECT: Testimony on LD 2145, An Act to Decrease Offsets to Disability Retirement Benefits

Good afternoon, Chairs Tipping and Roeder and the other distinguished members of the Joint Standing Committee on Labor. I am Bill Brown, the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System (MainePERS).

MainePERS supports LD 2145. We are here to provide information and to offer any assistance the Committee may request regarding this bill. We also would like to thank Senator Tipping for bringing this bill forward on our behalf.

In addition to its primary service retirement programs, MainePERS also administers a disability retirement program. Disability retirement serves members who become permanently unable to work but are not yet ready or eligible to start their service retirement benefit. As a form of retirement, it is a unique benefit that has different requirements under Maine law than other government-run disability programs. It is also different than private insurance that may be purchased to provide some income during a short-term or long-term illness that prevents someone from working.

According to statute, in order to qualify for disability retirement a member must demonstrate that one or more medically diagnosable conditions exist, that functional limitations caused by those conditions make the member unable to perform the essential functions of the member's employment position with reasonable accommodation and that the inability can be expected to be permanent.

Under Maine law, the amount of disability retirement benefit available through MainePERS generally is 59% of a member's Average Final Compensation (AFC), the average of the three highest years of MainePERS-covered compensation. If the member is also receiving or has received a Workers' Compensation payment for the same disability, the law currently requires the disability benefit be reduced so that the two benefits combined do not exceed 80% of the member's pre-disability compensation.

LD 2145 would increase the amount that recipients of MainePERS disability retirement benefits who also receive Workers' Compensation benefits may receive before the offset applies, from

80% to 100% of the member's AFC, allowing members to receive full income replacement for their MainePERS-covered employment.

LD 2145 would also make changes in follow-up to the legislation enacted last session that eliminated the offset to disability retirement benefits for Social Security benefits, PL 2025, c. 270. This includes eliminating usage of Average Annual Earnings (AAE) in favor of AFC.

AAE brings in compensation from other employment beyond the employment that resulted in the disability retirement and Workers' Compensation benefits. It made sense to include other employment when offsetting for Social Security benefits, which are not tied to particular employment, but not so for Workers Compensation benefits. That is demonstrated by the fact that AAE does not appear in the offset statute for the State-Teacher plan, whose members are not covered by Social Security. The elimination of AAE would align the PLD plan with the State-Teacher plan, which uses AFC in determining Workers' Compensation offsets. We reviewed all of our current members receiving a disability benefit who are also subject to the Workers' Compensation offset, none would be adversely affected if these two changes are made in combination.

This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under LD 2145 by increasing the amount of benefits a member may receive before the Workers' Compensation offset applies. Members therefore would receive benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

MainePERS estimates that the UAL costs under LD 2145 for the State-sponsored plans covering State employees and teachers are \$1,734,012. This cost would need to be paid immediately under Article IX, Section 18 of the Maine Constitution. UAL costs for the (PLD) Consolidated plan are estimated to be \$1,357,841. PLD UAL costs would be amortized over 20 years should this bill be enacted and the PLD Advisory Committee choose to adopt its provisions. In addition to the UAL, there would also be increased normal costs associated with this plan change.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.