

Date: February 3, 2026

To: Senator Michael Tipping, Senate Chair  
 Representative Amy Roeder, House Chair  
 Members, Joint Standing Committee on Labor

From: Bill Brown, Director of Actuarial and Legislative Affairs

Subject: LD 2169, An Act to Improve the Public Employees Disability Retirement Program by Modifying Provisions Controlling the Reduction of Benefits and Clarifying Terminology

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

MainePERS supports LD 2169, An Act to Improve the Public Employees Disability Retirement Program by Modifying Provisions Controlling the Reduction of Benefits and Clarifying Terminology. 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 legislation 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.

PL 2021, c. 277, reformed the process of applying for a disability benefit and improved both the experience of and outcomes for members. In the most recent annual experience survey of program applicants, 96% of respondents indicated they were satisfied or very satisfied that they were treated with respect and that the process was fairly conducted.

Other recent program improvements include: guidance on the definition of "earnings", streamlining the annual process for applying earnings limitations, the introduction of a formal waiver process for the annual statement of compensation, relaxing the time-period in which an overpayment of benefits must be recovered, removing the continuous service requirement from the standard for pre-existing conditions and removing the offset for Social Security.

LD 2169 is part of this continuous effort to improve the disability retirement program that consists of practice changes, rulemaking, and legislation like LD 2169 and another bill proposed by MainePERS, LD 2145, which would make changes to the Workers' Compensation offset.

Current law sets limits on how much a disability retiree can earn while on disability retirement. These limits are unnecessarily complicated and vary depending on who the employer is. They also have a cost-of-living mechanism that does not keep up with actual cost of living increases. Additionally, the consequences under current law for exceeding earnings limitations can create hardships. A retiree who exceeds earnings limitations in a year is considered to owe the retirement plan a debt for some or all of the benefits they received that year. LD 2169 seeks to simplify the treatment of disability retiree earnings as well as avoid hardships and negative impacts on disability retirees.

Related to earnings limitations, current law sets an amount of earnings above which a member is considered not disabled. This “substantially gainful activity” amount is defined in current law as 80% of Average Final Compensation, which means that a member can be considered not disabled even though a disability prevents them from earning their full prior income.

The goals of LD 2169 are to:

- Change the consequences for overearning from a payback approach to a prospective benefit reduction approach, which may be waived if the overearning is not expected to continue;
- Make earnings limitations less complex and more member-favorable;
- Raise the substantially gainful activity (SGA) amount from 80% of Average Final Compensation (AFC) to 100% of the highest of AFC, Final Annual Compensation, or \$35,500; and
- Remove caps and delays on cost-of-living adjustments to earnings limitations and SGA amounts.

LD 2169 would not create an unfunded actuarial liability that would have to be funded up front. The changes to the disability retirement program proposed in LD 2169 are intended to make it less likely that a person receiving a disability retirement benefit while also earning income from work will earn more than allowed by Maine law. Actuarially, disability is presumed to be both total and permanent. This means there are no actuarial assumptions that address recipients of disability retirement benefits earning income from work or leaving the disability retirement program due to earning income from work. Any impacts to the plan due to disability retirement beneficiaries earning income from work will be a small part of the much greater gains and losses from other factors reported in the plan’s annual valuations.

Attached to this testimony is a crosswalk that details how the many sections of this bill address its aims through the various disability retirement plans administered by MainePERS.

I am happy to take your questions and will be present for any work session.

Crosswalk of LD 2196 Provisions by Plan

Article	Plan	Coverage	Substance
Sec. 1		State/Teacher	Update reference
Sec. 2	3	State/Teacher	Pre-9/30/89 Repeal §17901  New §17901-A: Define Final Annual Compensation (FAC), redefine Substantially Gainful Activity (SGA) as the greater of FAC, Average Final Compensation (AFC), or \$35,500 adjusted by CPI-U without cap or six-month lag
Sec. 3	3	State/Teacher	Pre-9/30/89
Sec. 4	3	State/Teacher	Pre-9/30/89 Update reference
Sec. 5	3	State/Teacher	Pre-9/30/89 Repeal §17906, sub-§1  New §17906. sub-§1-A: Sets earnings limitations for the purpose of benefit reduction as exceeding \$35,500 adjusted by CPI-U without cap or six-month lag. Changes consequences for exceeding limitations from a debt-owed approach to a prospective reduction of benefits, which may be waived.
Sec. 6	3	State/Teacher	Pre-9/30/89
Sec. 7	3	State/Teacher	Pre-9/30/89 Strike definition of SGA , new definition is relocated in Sec. 3
Sec. 8	3-A	State/Teacher	After 9/30/89 Defines FAC  Defines SGA as greater of FAC, AFC, or \$35,500 adjusted by CPI-U without cap or six-month lag
Sec. 9	3-A	State/Teacher	After 9/30/89 or six-month lag
Sec. 10	3-A	State/Teacher	After 9/30/89 Strike definition of SGA , new definition is relocated in Sec. 9
Sec. 11	3-A	State/Teacher	After 9/30/89 Repeal §17930  New §17930-A: Sets earnings limitations for the purposes of benefit reduction as exceeding the highest of: (1) the difference between the disability benefit and the higher of FAC or AFC; or (2) \$35,500 adjusted by CPI-U without cap or six-month lag. Changes consequences for exceeding limitations from a debt-owed approach to a prospective reduction of benefits, which may be waived.
Sec. 12	3-A	State/Teacher	After 9/30/89
Sec. 13	3-A	State/Teacher	After 9/30/89 Update reference
Sec. 14		PLD	Update reference
Sec. 15	3	PLD	Pre-9/30/89 Repeal §18501  New §18501-B: Define FAC, redefine SGA as the greater of FAC, AFC, or \$35,500 adjusted by CPI-U without cap or six-month lag
Sec. 16	3	PLD	Pre-9/30/89 adjusted by CPI-U without cap or six-month lag
Sec. 17	3	PLD	Pre-9/30/89 Update reference
Sec. 18	3	PLD	Pre-9/30/89 Repeal §18506, sub-§1  New §18506, sub-§1-A: Sets earnings limitations for the purpose of benefit reduction as exceeding \$35,500 adjusted by CPI-U without cap or six-month lag. Changes consequences for exceeding limitations from a debt-owed approach to a prospective reduction of benefits, which may be waived.
Sec. 19	3	PLD	Pre-9/30/89  Eliminate reference to Social Security Offset repealed in PL 2025, c. 270
Sec. 20	3	PLD	Pre-9/30/89
Sec. 21	3-A	PLD	After 9/30/89 Strike definition of SGA , new definition is relocated in Sec. 23
Sec. 22	3-A	PLD	After 9/30/89 Defines FAC  Defines SGA as greater of FAC, AFC, or \$35,500 adjusted by CPI-U without cap or six-month lag
Sec. 23	3-A	PLD	After 9/30/89 or six-month lag
Sec. 24	3-A	PLD	After 9/30/89 Strike definition of SGA , new definition is relocated in Sec. 23
Sec. 25	3-A	PLD	After 9/30/89 Repeal §18530

Crosswalk of LD 2196 Provisions by Plan

Article	Plan	Coverage	Substance
Sec. 26			New §18530-A: Sets earnings limitations for the purposes of benefit reduction as exceeding the highest of: (1) the difference between the disability benefit and the higher of FAC or AFC; or (2) \$35,500 adjusted by CPI-U without cap or six-month lag. Changes consequences for exceeding limitations from a debt-owned approach to a prospective reduction of benefits, which may be waived.
Sec. 27	3-A	PLD	After 9/30/89 After 9/30/89 Update reference