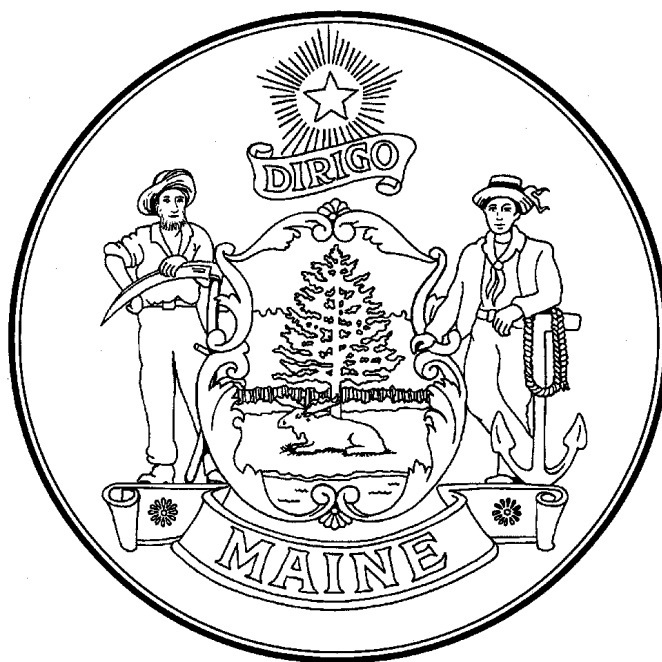


MAINE STATE LEGISLATURE

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132nd MAINE LEGISLATURE

SECOND REGULAR SESSION-2026

Legislative Document

No. 2169

S.P. 879

In Senate, January 20, 2026

**An Act to Improve the Public Employees Disability Retirement
Program by Modifying Provisions Controlling the Reduction of
Benefits and Clarifying Terminology**

Submitted by the Maine Public Employees Retirement System pursuant to Joint Rule 203.
Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in black ink, appearing to read "D M Grant", is positioned above the printed name of the Secretary of the Senate.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator TIPPING of Penobscot.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 5 MRSA §17857, sub-§2, ¶D**, as amended by PL 1997, c. 769, §19 and PL
3 2021, c. 548, §45, is further amended to read:

4 D. A member who has not completed the service requirements for retirement under a
5 special plan, including a member who completes the requirements of section 17851-A,
6 subsection 2, paragraph A, on becoming disabled as defined in section ~~17901~~ 17901-B,
7 subsection 1, or, after September 30, 1989, section 17921, subsection 1, and on
8 becoming reemployed in a position not under a special plan on retirement receives
9 retirement benefits as follows.

10 (1) The part of the member's service retirement based on membership service
11 before becoming disabled must be computed according to the formula for
12 computing benefits under the member's previous special plan.

13 (2) The part of the member's service retirement based on membership service after
14 becoming reemployed in a position not under a special plan must be computed
15 according to the formula for computing benefits under the member's previous
16 special plan.

17 (3) If the member is found to be no longer disabled, as defined in section ~~17901~~
18 17901-B, subsection 1, or, after September 30, 1989, section 17921, subsection 1,
19 the member may:

20 (a) Return to a position under the member's previous special plan; or

21 (b) Remain in the position that is not under a special plan and have the part of
22 the member's service retirement benefit based on post-disability service
23 computed in accordance with section 17852, subsection 1.

24 (4) The chief executive officer may require that a member subject to this paragraph
25 undergo medical examinations or tests once each year to determine the member's
26 disability in accordance with section 17903 or, after September 30, 1989, section
27 17926.

28 (a) If the member refuses to submit to the examination or tests under this
29 subparagraph, the member's retirement benefit must be based on section
30 17852, subsection 1, until the member withdraws the refusal.

31 (b) If the member's refusal under division (a) continues for one year, all the
32 member's rights to any further benefits under this paragraph shall cease.

33 **Sec. 2. 5 MRSA §17901**, as corrected by RR 2023, c. 2, Pt. B, §123, is repealed.

34 **Sec. 3. 5 MRSA §17901-B** is enacted to read:

35 **§17901-B. Definitions**

36 As used in this article, unless the context otherwise indicates, the following terms have
37 the following meanings.

38 **1. Disabled.** "Disabled" means mentally or physically incapacitated:

39 A. To the extent that it is impossible for a person to perform the duties of the person's
40 employment position and the incapacity can be expected to be permanent; and

1 B. Such that the incapacity will be revealed by medical examination or tests conducted
2 in accordance with section 17903.

3 **2. Final annual compensation.** "Final annual compensation" means the annual rate of
4 pay of a member, for a position covered by this article, immediately before the termination
5 of the member's employment and the commencement of the member's disability retirement
6 benefit.

7 **3. Substantially gainful activity.** "Substantially gainful activity" means any
8 combination of activities, tasks or efforts, with any reasonable accommodations, for which
9 the member is qualified by training, education or experience that would generate annual
10 income in the labor market for the member's state of residence in an amount in excess of
11 the greater of:

12 A. Thirty-five thousand five hundred dollars in calendar year 2026 or \$35,500
13 increased as described by this subsection in any subsequent calendar year;

14 B. The member's average final compensation; and

15 C. The member's final annual compensation.

16 The amounts under paragraphs A, B and C are increased on January 1st of each calendar
17 year by any percentage increase in the Consumer Price Index during the 12 months ending
18 on December 31st of the prior calendar year.

19 **Sec. 4. 5 MRSA §17903, first ¶,** as enacted by PL 1985, c. 801, §§5 and 7, is
20 amended to read:

21 The examination or tests to determine whether a member is disabled under section
22 17901 17901-B, subsection 1 are governed as follows.

23 **Sec. 5. 5 MRSA §17906, sub-§1,** as amended by PL 2021, c. 548, §29, is repealed.

24 **Sec. 6. 5 MRSA §17906, sub-§1-A** is enacted to read:

25 **1-A. Excess compensation.** If the compensation received from engaging in any
26 gainful occupation by a beneficiary of a disability retirement benefit exceeds \$35,500 in
27 calendar year 2026 or in any subsequent calendar year exceeds that amount increased on
28 January 1st of each calendar year by any percentage increase in the Consumer Price Index
29 during the 12 months ending on December 31st of the prior calendar year, the disability
30 retirement benefits must be reduced for a one-year period by the excess prorated on a
31 monthly basis over the year.

32 The chief executive officer may waive the reduction set forth under this subsection if the
33 person demonstrates that the excess compensation has ceased and that the continuing
34 reduction would cause a hardship.

35 **Sec. 7. 5 MRSA §17907, sub-§2, ¶B,** as amended by PL 2003, c. 675, §1 and PL
36 2021, c. 548, §45, is further amended to read:

37 B. After the disability has continued for 5 years, the disability of the beneficiary must
38 render the beneficiary unable to engage in any substantially gainful activity ~~for which~~
39 ~~the beneficiary is qualified by training, education or experience. For purposes of this~~
40 ~~paragraph, the ability to engage in substantially gainful activity is demonstrated by the~~
41 ~~ability to perform work resulting in annual earnings that exceed \$20,000 or 80% of the~~

1 recipient's average final compensation at retirement, whichever is greater, adjusted by
2 the same percentage adjustments granted under section 17806.

3 (1) The chief executive officer may require, once each year, a recipient of a
4 disability retirement benefit to undergo medical examinations or tests, conducted
5 in accordance with section 17903, to determine the disability of the beneficiary.

6 (2) If the beneficiary refuses to submit to the examination or tests under
7 subparagraph (1), the beneficiary's disability retirement benefit is discontinued
8 until the beneficiary withdraws the refusal.

9 (3) If the beneficiary's refusal under subparagraph (2) continues for one year, all
10 the beneficiary's rights to any further benefits under this article cease.

11 (4) If it is determined, on the basis of the examination or tests under subparagraph
12 (1), that the disability of a beneficiary no longer exists, the payment of the
13 beneficiary's disability retirement benefit ceases;

14 **Sec. 8. 5 MRSA §17921, sub-§3** is enacted to read:

15 **3. Final annual compensation.** "Final annual compensation" means the annual rate
16 of pay of a member, for a position covered by this article, immediately before the
17 termination of the member's employment and the commencement of the member's
18 disability retirement benefit.

19 **Sec. 9. 5 MRSA §17921, sub-§4** is enacted to read:

20 **4. Substantially gainful activity.** "Substantially gainful activity" means any
21 combination of activities, tasks or efforts, with any reasonable accommodations, for which
22 the member is qualified by training, education or experience that would generate annual
23 income in the labor market for the member's state of residence in an amount in excess of
24 the greater of:

25 A. Thirty-five thousand five hundred dollars in calendar year 2026 or \$35,500
26 increased as described by this subsection in any subsequent calendar year;

27 B. The member's average final compensation; and

28 C. The member's final annual compensation.

29 The amounts under paragraphs A, B and C are increased on January 1st of each calendar
30 year by any percentage increase in the Consumer Price Index during the 12 months ending
31 on December 31st of the prior calendar year.

32 **Sec. 10. 5 MRSA §17929, sub-§2, ¶B**, as amended by PL 2021, c. 277, §25 and
33 affected by §45 and amended by c. 548, §45, is further amended by amending subparagraph
34 (1) to read:

35 (1) After the disability has continued for 2 years, the disability must render the
36 person unable to engage in any substantially gainful activity that is consistent with
37 the person's training, education or experience and average final compensation
38 adjusted by the same percentage adjustment as has been received under section
39 17806. The disability retirement benefit continues if the person can effectively
40 demonstrate to the chief executive officer that the person is actively seeking work.
41 ~~For the purposes of this subparagraph, the ability to engage in substantially gainful~~
42 ~~activity is demonstrated by the ability to perform work resulting in annual earnings~~

1 that exceed \$20,000 or 80% of the recipient's average final compensation at
2 retirement, whichever is greater, adjusted by the same percentage adjustments
3 granted under section 17806.

4 **Sec. 11. 5 MRSA §17930**, as amended by PL 2025, c. 221, §§27 and 28, is repealed.

5 **Sec. 12. 5 MRSA §17930-A** is enacted to read:

6 **§17930-A. Reduction in amount of benefit**

7 Reduction of disability retirement benefits as the result of a person's receiving
8 compensation from employment or from disability payments under other laws is governed
9 as follows.

10 **1. Compensation from employment; reduction of benefits required.** The amount of
11 a person's disability retirement benefit must be reduced when the person receives
12 compensation in any year from engaging in any gainful activity or from employment that
13 exceeds the greater of:

14 A. Thirty-five thousand five hundred dollars in calendar year 2026, increased on
15 January 1st of each calendar year by any percentage increase in the Consumer Price
16 Index during the 12 months ending on December 31st of the prior calendar year; and

17 B. The difference between the person's disability retirement benefit for that year and
18 the higher of the person's average final compensation at the time that the person became
19 a recipient of a disability retirement benefit and the person's final annual compensation,
20 each increased on January 1st of each calendar year by any percentage increase in the
21 Consumer Price Index during the 12 months ending on December 31st of the prior
22 calendar year.

23 Disability retirement benefits must be reduced by the amount of compensation for gainful
24 activity or employment received in excess of the amount described in paragraph A or B,
25 whichever is applicable, for a one-year period, prorated on a monthly basis over the year.

26 **2. Reduction for employment; hardship; discontinuance; resumption of benefits;**
27 **voluntary termination of benefits.** The following provisions apply to the reduction of
28 benefits pursuant to subsection 1.

29 A. The chief executive officer may waive the reduction set forth in subsection 1 if the
30 person demonstrates that the excess compensation has ceased and that continuing the
31 reduction would cause a hardship.

32 B. If the disability retirement benefit payments are eliminated by subsection 1, the
33 disability is deemed to no longer exist, the payment of the disability retirement benefit
34 must be discontinued and, except as provided in paragraph C, all of the person's rights
35 to benefits under this article cease.

36 C. If, during the first 5 years of reemployment, the person again becomes disabled,
37 terminates employment and is not covered by any other disability program, the
38 retirement system shall resume paying the disability retirement benefit payable prior to
39 the reemployment with all applicable cost-of-living adjustments and shall provide
40 rehabilitation services in accordance with section 17927. If, during the first 5 years of
41 reemployment, the person again becomes disabled, terminates employment and is
42 covered by another disability program and the benefit payable under the other disability
43 program is not equal to or greater than the benefit under this article, the retirement

1 system shall pay the difference between the amount of the benefit payable under the
2 other disability program and the amount of the benefit payable under this article. The
3 chief executive officer shall require examinations or tests to determine whether the
4 person is disabled as described in section 17921.

5 D. At any time before the elimination of disability retirement benefit payments by
6 subsection 1, the person may request that the benefit payments be terminated, and the
7 chief executive officer shall terminate benefit payments at the end of the month in
8 which the request is received.

9 **3. Disability payments under other laws.** The reduction of disability retirement
10 benefits because of disability benefits received under other laws is governed as follows.

11 A. The amount of any disability retirement benefit payable under this article must be
12 reduced by any amount received by the person for the same disability under the
13 workers' compensation or similar laws, except amounts that may be paid or payable
14 under former Title 39, section 56-B or Title 39-A, section 212, subsection 3.

15 B. The reduction in the disability retirement benefit is governed as follows:

16 (1) The initial disability retirement benefit must be reduced if necessary so that the
17 benefit plus any benefits under paragraph A do not exceed 80% of the person's
18 average final compensation;

19 (2) The amount determined by the calculation under subparagraph (1) may not be
20 adjusted when cost-of-living adjustments are applied to the benefits listed under
21 paragraph A; and

22 (3) Adjustments under section 17806 must be applied to the reduced disability
23 retirement benefit calculated under subparagraph (1) or paragraph C.

24 C. The disability retirement benefit may not be reduced below the amount of the
25 retirement benefit that is the actuarial equivalent of the person's accumulated
26 contributions at the time of retirement.

27 D. A lump-sum settlement of benefits that reduces the disability retirement benefit
28 under this subsection must be prorated on a monthly basis in an equitable manner
29 prescribed by the board.

30 (1) The prorated lump-sum settlement may not include any part of the lump-sum
31 settlement attributable to rehabilitation, attorney's, physicians', nurses', hospital,
32 medical, surgical or related fees or charges or any amount paid or payable under
33 former Title 39, section 56-B or Title 39-A, section 212, subsection 3.

34 (2) The prorated lump-sum settlement must reduce the disability retirement benefit
35 in the same manner and amount as monthly benefits under this subsection.

36 E. Any dispute about amounts paid under the workers' compensation laws or the
37 amount of the lump-sum settlement and its attributions must be determined on a
38 petition by a single member of the Workers' Compensation Board in accordance with
39 Title 39-A. The determination may be appealed under Title 39-A, section 322.

40 **Sec. 13. 5 MRSA §17932, sub-§3,** as enacted by PL 1989, c. 409, §§8 and 12 and
41 amended by PL 2021, c. 548, §45, is further amended to read:

1 **3. Termination or reduction in benefits.** At any time before the elimination of
2 disability retirement benefit payments under section ~~17930~~ 17930-A, subsection ~~3~~ 1, the
3 person may request that benefit payments be terminated, and the chief executive officer
4 shall terminate benefit payments at the end of the month in which the request is received.

5 **Sec. 14. 5 MRSA §18462, sub-§2, ¶D**, as corrected by RR 2011, c. 2, §4 and
6 amended by PL 2021, c. 548, §45, is amended to read:

7 D. A member who has not completed the service requirements for retirement under a
8 special plan, on becoming disabled as defined in section ~~18501~~ 18501-B, subsection 1,
9 and on becoming reemployed in a position not under a special plan must on retirement
10 receive retirement benefits as follows.

11 (1) The part of the member's service retirement based on membership service
12 before becoming disabled must be computed according to the formula for
13 computing benefits under the member's previous special plan.

14 (2) The part of the member's service retirement based on membership service after
15 becoming reemployed in a position not under a special plan must be computed
16 according to the formula for computing benefits under the member's previous
17 special plan.

18 (3) If the member is found to be no longer disabled, as defined in section ~~18501~~
19 18501-B, subsection 1, the member may:

20 (a) Return to a position under the member's previous special plan; or

21 (b) Remain in the position that is not under a special plan and have the part of
22 the member's service retirement benefit based on post-disability service
23 computed in accordance with section 18452, subsection 1.

24 (4) The chief executive officer may require that a member subject to this paragraph
25 undergo medical examinations or tests once each year to determine the member's
26 disability in accordance with section 18503.

27 (a) If the member refuses to submit to the examination or tests under this
28 subparagraph, the member's retirement benefit must be based on section
29 17852, subsection 1, until the member withdraws the refusal.

30 (b) If the member's refusal under division (a) continues for one year, all the
31 member's rights to any further benefits under this paragraph cease.

32 **Sec. 15. 5 MRSA §18501**, as corrected by RR 2023, c. 2, Pt. B, §150, is repealed.

33 **Sec. 16. 5 MRSA §18501-B** is enacted to read:

34 **§18501-B. Definitions**

35 As used in this article, unless the context otherwise indicates, the following terms have
36 the following meanings.

37 **1. Disabled.** "Disabled" means mentally or physically incapacitated:

38 A. To the extent that it is impossible for a person to perform the duties of the person's
39 employment position and the incapacity can be expected to be permanent; and

40 B. Such that the incapacity will be revealed by medical examination or tests conducted
41 in accordance with section 18503.

1 **2. Final annual compensation.** "Final annual compensation" means the annual rate of
2 pay of a member, for a position covered by this article, immediately before the termination
3 of the member's employment and the commencement of the member's disability retirement
4 benefit.

5 **3. Substantially gainful activity.** "Substantially gainful activity" means any
6 combination of activities, tasks or efforts, with any reasonable accommodations, for which
7 the member is qualified by training, education or experience that would generate annual
8 income in the labor market for the member's state of residence in an amount in excess of
9 the greater of:

10 A. Thirty-five thousand five hundred dollars in calendar year 2026 or \$35,500
11 increased as described by this subsection in any subsequent calendar year;

12 B. The member's average final compensation; and

13 C. The member's final annual compensation.

14 The amounts under paragraphs A, B and C are increased on January 1st of each calendar
15 year by any percentage increase in the Consumer Price Index during the 12 months ending
16 on December 31st of the prior calendar year.

17 **Sec. 17. 5 MRSA §18503, first ¶**, as enacted by PL 1985, c. 801, §§5 and 7, is
18 amended to read:

19 The examination or tests to determine whether a member is disabled under section
20 ~~18501~~ 18501-B, subsection 1 are governed as follows.

21 **Sec. 18. 5 MRSA §18506, sub-§1**, as amended by PL 2025, c. 221, §42, is repealed.

22 **Sec. 19. 5 MRSA §18506, sub-§1-A** is enacted to read:

23 **1-A. Excess compensation.** If the compensation received from engaging in any
24 gainful occupation by a beneficiary of a disability retirement benefit exceeds \$35,500 in
25 calendar year 2026 or in any subsequent calendar year exceeds that amount increased on
26 January 1st of each calendar year by any percentage increase in the Consumer Price Index
27 during the 12 months ending on December 31st of the prior calendar year, the disability
28 retirement benefits must be reduced for a one-year period by the excess prorated on a
29 monthly basis over the year.

30 The chief executive officer may waive the reduction set forth under this subsection if the
31 person demonstrates that the excess compensation has ceased and that the continuing
32 reduction would cause a hardship.

33 **Sec. 20. 5 MRSA §18506, sub-§2, ¶A**, as amended by PL 1993, c. 680, Pt. A, §17,
34 is further amended to read:

35 A. The amount of any disability retirement benefit payable under this article must be
36 reduced by any amount received by the beneficiary for the same disability under ~~either~~
37 ~~or both~~ of the following:

38 (1) The workers' compensation or similar law laws, except amounts that may be
39 paid or payable under former Title 39, section 56-B or Title 39-A, section 212,
40 subsection 3; ~~or~~.

(2) ~~The United States Social Security Act, if the employment for which creditable service with the employer is allowed was also covered under that Act at the date of disability retirement.~~

Sec. 21. 5 MRSA §18507, sub-§2, ¶B, as amended by PL 2003, c. 675, §3 and PL 2021, c. 548, §45, is further amended to read:

B. After the disability has continued for 5 years, the disability of the beneficiary must render the beneficiary unable to engage in any substantially gainful activity ~~for which the beneficiary is qualified by training, education or experience. For purposes of this paragraph, the ability to engage in substantially gainful activity is demonstrated by the ability to perform work resulting in annual earnings that exceed \$20,000 or 80% of the recipient's average final compensation at retirement, whichever is greater, adjusted by the same percentage adjustments granted under section 18407.~~

(1) The chief executive officer may require, once each year, a recipient of a disability retirement benefit to undergo medical examinations or tests, conducted in accordance with section 18503, to determine the disability of the beneficiary.

(2) If the beneficiary refuses to submit to the examination or tests under subparagraph (1), the beneficiary's disability retirement benefit is discontinued until the beneficiary withdraws the refusal.

(3) If the beneficiary's refusal under subparagraph (2) continues for one year, all the beneficiary's rights to any further benefits under this article cease.

(4) If it is determined, on the basis of the examination or tests under subparagraph (1), that the disability of a beneficiary no longer exists, the payment of the beneficiary's disability retirement benefit ceases.

Sec. 22. 5 MRSA §18521, sub-§3 is enacted to read:

3. Final annual compensation. "Final annual compensation" means the annual rate of pay of a member in a position covered by this article immediately before the termination of the member's employment and the commencement of the disability retirement benefit.

Sec. 23. 5 MRSA §18521, sub-§4 is enacted to read:

4. Substantially gainful activity. "Substantially gainful activity" means any combination of activities, tasks or efforts, with any reasonable accommodations, for which the member is qualified by training, education or experience that would generate annual income on the labor market for the member's state of residence in an amount in excess of the greater of:

A. Thirty-five thousand five hundred dollars in calendar year 2026 or \$35,500 increased as described by this subsection in any subsequent calendar year;

B. The member's average final compensation; and

C. The member's final annual compensation.

The amounts under paragraphs A, B, and C are increased on January 1st of each calendar year by any percentage increase in the Consumer Price Index during the 12 months ending on December 31st of the prior calendar year.

1 **Sec. 24. 5 MRSA §18529, sub-§2, ¶B**, as amended by PL 2021, c. 277, §38 and
2 affected by §45 and amended by c. 548, §45, is further amended by amending subparagraph
3 (1) to read:

4 (1) After the disability has continued for 2 years, the disability must render the
5 person unable to engage in any substantially gainful activity ~~that is consistent with~~
6 ~~the person's training, education or experience and average final compensation~~
7 ~~adjusted by the same percentage adjustment as has been received under section~~
8 ~~18407. The disability retirement benefit continues if the person can effectively~~
9 ~~demonstrate to the chief executive officer that the person is actively seeking work.~~
10 ~~For purposes of this subparagraph, the ability to engage in substantially gainful~~
11 ~~activity is demonstrated by the ability to perform work resulting in annual earnings~~
12 ~~that exceed \$20,000 or 80% of the recipient's average final compensation at~~
13 ~~retirement, whichever is greater, adjusted by the same percentage adjustments~~
14 ~~granted under section 18407.~~

15 **Sec. 25. 5 MRSA §18530**, as amended by PL 2025, c. 221, §§44 and 45 and c. 270,
16 §4 and affected by §5, is repealed.

17 **Sec. 26. 5 MRSA §18530-A** is enacted to read:

18 **§18530-A. Reduction in amount of benefit**

19 **1. Compensation from employment; reduction of benefits required.** The amount
20 of a person's disability retirement benefit must be reduced when the person receives
21 compensation in any year from engaging in any gainful activity or from employment that
22 exceeds the greater of:

23 A. Thirty-five thousand five hundred dollars in calendar year 2026, increased on
24 January 1st of each calendar year by the percentage increase in the Consumer Price
25 Index during the 12 months ending on December 31st of the prior calendar year; and

26 B. The difference between the person's disability retirement benefit for that year and
27 the higher of the person's average final compensation at the time that the person became
28 a recipient of a disability retirement benefit and the person's final annual compensation,
29 each increased on January 1st of each calendar year by the percentage increase in the
30 Consumer Price Index during the 12 months ending on December 31st of the prior
31 calendar year.

32 Disability retirement benefits must be reduced by the amount of compensation for gainful
33 activity or employment received in excess of the amount described in paragraph A or B,
34 whichever is applicable, for a one-year period, prorated on a monthly basis over the year.

35 **2. Reduction for employment; hardship; discontinuance; resumption of benefits;**
36 **voluntary termination of benefits.** The following provisions apply to the reduction of
37 benefits pursuant to subsection 1.

38 A. The chief executive officer may waive the reduction set forth in subsection 1 if the
39 person demonstrates that the excess compensation has ceased and that continuing the
40 reduction would cause a hardship.

41 B. If the disability retirement benefit payments are eliminated by subsection 1, the
42 disability is deemed to no longer exist, the payment of the disability retirement benefit

1 must be discontinued and, except as provided in paragraph C, all of the person's rights
2 to benefits under this article cease.

3 C. If, during the first 5 years of reemployment, the person again becomes disabled,
4 terminates employment and is not covered by any other disability program, the
5 retirement system shall resume paying the disability retirement benefit payable prior to
6 the reemployment with all applicable cost-of-living adjustments and shall provide
7 rehabilitation services in accordance with section 18527. If, during the first 5 years of
8 reemployment, the person again becomes disabled, terminates employment and is
9 covered by another disability program and the benefit payable under the other disability
10 program is not equal to or greater than the benefit under this article, the retirement
11 system shall pay the difference between the amount of the benefit payable under the
12 other disability program and the amount of the benefit payable under this article. The
13 chief executive officer shall require examinations or tests to determine whether the
14 person is disabled as described in section 18521.

15 D. At any time before the elimination of disability retirement benefit payments by
16 subsection 1, the person may request that the benefit payments be terminated, and the
17 chief executive officer shall terminate benefit payments at the end of the month in
18 which the request is received.

19 **3. Disability payments under other laws.** The reduction of disability retirement
20 benefits because of disability benefits received under other laws is governed as follows.

21 A. The amount of any disability retirement benefits payable under this article must be
22 reduced by any amount received by the person for the same disability under the
23 workers' compensation or similar laws, except amounts that may be paid or payable
24 under former Title 39, section 56-B or Title 39-A, section 212, subsection 3.

25 B. The reduction in the disability benefit is governed as follows:

26 (1) The initial disability retirement benefit must be reduced if necessary so that the
27 benefit plus any benefits under paragraph A do not exceed 80% of the person's
28 average final compensation;

29 (2) The amount determined by the calculation under subparagraph (1) may not be
30 adjusted when cost-of-living adjustments are applied to the benefits listed under
31 paragraph A; and

32 (3) Adjustments under section 18407 must be applied to the reduced disability
33 retirement benefit calculated under subparagraph (1) or paragraph C.

34 C. The disability retirement benefit may not be reduced below the amount of the
35 retirement benefit that is the actuarial equivalent of the person's accumulated
36 contributions at the time of retirement.

37 D. A lump-sum settlement of benefits that reduces the disability retirement benefit
38 under this subsection must be prorated on a monthly basis in an equitable manner
39 prescribed by the board.

40 (1) The prorated lump-sum settlement may not include any part of the lump-sum
41 settlement attributable to rehabilitation, attorney's, physicians', nurses', hospital,
42 medical, surgical or related fees or charges or any amount paid or payable under
43 former Title 39, section 56-B or Title 39-A, section 212, subsection 3.

(2) The prorated lump-sum settlement must reduce the disability retirement benefit in the same manner and amount as monthly benefits under this subsection.

E. Any dispute about amounts paid or payable under the workers' compensation laws or the amount of the lump-sum settlement and its attributions must be determined on petition by a single member of the Workers' Compensation Board in accordance with Title 39-A. The determination may be appealed under Title 39-A, section 322.

Sec. 27. 5 MRSA §18532, sub-§3, as enacted by PL 1989, c. 409, §§11 and 12 and amended by PL 2021, c. 548, §45, is further amended to read:

3. Termination or reduction in benefits. At any time before the elimination of disability retirement benefit payments under section ~~18530~~ **18530-A**, subsection ~~3 1~~, the person may request that benefit payments be terminated, and the chief executive officer shall terminate benefit payments at the end of the month in which the request is received.

SUMMARY

This bill makes changes to the provisions of the Maine Revised Statutes governing disability retirement benefits for state employees and teachers and for participating local districts.

The bill increases the amount of income that is considered substantially gainful activity and increases the limit on income a person may earn from employment or gainful activity before the person's disability retirement benefit is reduced. It also removes the distinction between the effect on the reduction of benefits of compensation earned from an employer covered under the disability retirement program and from an employer that is not covered, instead establishing one formula and set of requirements applying to earnings from any employer.

The bill changes the consequence for exceeding earning limitations to a waivable, prorated reduction of benefits for one year. The new provisions do not include a requirement that a person reimburse the retirement system for any excess payments not deducted by the retirement system, as in current law. The bill provides definitions for "final annual compensation" and "substantially gainful activity."

The bill removes language that requires, in some cases, that disability retirement benefit payments be reduced by any amount received under the United States Social Security Act. It also changes the formula under the Participating Local District Retirement Program for calculating reductions for disability payments under other laws by basing the calculation on average final compensation, not average annual earnings.