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DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

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*Testimony of Heather Perreault, Deputy Commissioner
Department of Administrative and Financial Services
testifying neither for nor against*

LD 1152, An Act to Make Long-term Disability Insurance Coverage Available to Public Employees

Sponsored by Sen. Ingwersen
Before the Joint Standing Committee on Labor and Housing

Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing, I am Heather Perreault, Deputy Commissioner of the Department of Administrative and Financial Services. I am providing testimony today neither for nor against LD 1152.

The State of Maine, as Maine's second largest employer, understands and empathizes that Long-Term Disability Insurance coverage is a need for some employees. The State interprets the language in P.L. 2021 c. 277 "An Act To Improve the Disability Retirement Program of the Maine Public Employees Retirement System" to mean that Long-Term Disability Insurance coverage must be offered, but that the employer is not obligated to contribute. As is the case with any benefit, the State must consider the need, cost and impact to the entirety of its employee group, as well as administrative, implementation and oversight efforts. The State would seek to balance any Long-Term Disability Insurance program with other programs as well as the current and future funding requirements of its existing comprehensive benefit package.

First, some background: LD 1152 is derived from the report "Long-Term Disability Insurance – Implementation Plan" that was submitted to this committee by MainePERS in November 2022. The report was developed by the Long-Term Disability Insurance working group, as required by P.L. 2021 c. 277 Sec 43. Specifically, the language is from Appendix A, Draft Legislation, Version 2: Mandated Employer-Paid Benefit.

The reason P.L. 2021 c. 277 required examination of Long-Term Disability Insurance was to address the gap in income for an injured or ill employee between the time they stop working and apply for disability retirement through MainePERS and the time they are approved and begin receiving benefits. MainePERS has indicated that over the past four years, there have been on average 36 State employees per year who have applied for disability retirement, who would potentially need assistance to bridge the gap in income from when they apply for disability

retirement and when they begin receiving benefits. We acknowledge that there may be employees who have not applied for Disability Retirement who would benefit from Long-Term Disability Insurance, but we are not able to quantify that at this time.

Results from MainePERS' 2019 RFP for Long-Term Disability Insurance estimated that providing a benefit of up to \$8,000 per month for all State employees would cost between \$1.1 million to \$2.7 million per year. Since these estimates are several years old, updated estimates would likely be higher. Note – this is the cost for only State employees, and does not include estimates for municipalities, schools or other groups. Requiring municipalities and schools to provide this benefit would likely be an unfunded mandate, making the State responsible for 90% of their costs as well.

LD 1152 would require the State to provide and pay for a monthly benefit that would replace 59% of earnings up to \$8,000 per month. At this benefit level, it would provide 59% income replacement for employees earning up to \$163,000 per year; almost 100% of Executive Branch employees would have their full earnings covered.

An alternative to requiring employers to pay for the \$8,000 per month benefit is included in the "Long-Term Disability Insurance – Implementation Plan" report Appendix A, Draft Legislation, Version 1, in which the employer can determine an appropriate level of benefit to fund, and allows employees to select and pay for additional coverage. This is how the MainePERS life insurance benefit currently works.

Thank you for your time. I am happy to answer any questions you may have.