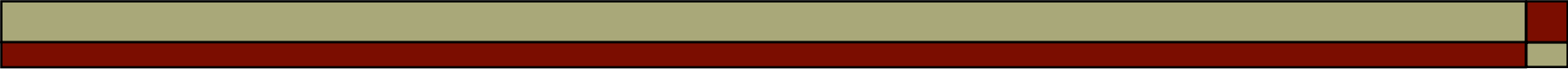


Police & Fire Pension Task Force – July 29, 2009

Topics:

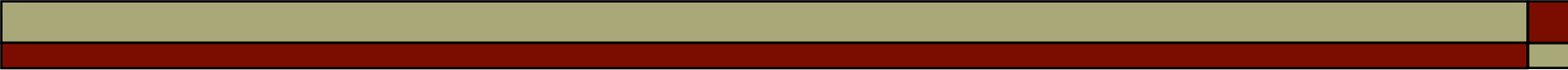
- 1) Disability Process and Results
- 2) Employee Contributions



Issue: The definition of “disability,” specifically the provision that requires approval of a disability application if the particular employee is unable to fulfill every requirement of his/her pre-disability assignment.

Response:

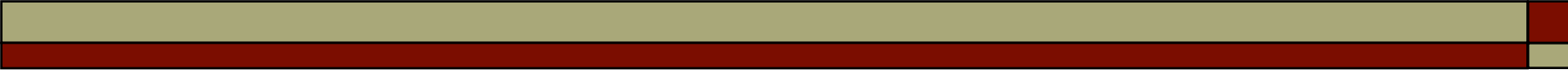
- An employee is disabled if he/her is unable to perform any requirement of his assignment according to that assignment’s job description. This job description is used by the examining physician to evaluate the disability.
- In recent work done by the Pension Board’s disability subcommittee, a review was completed of all job descriptions covered by the Police and Fire Pension Plan, to insure that physical requirements for each job were accurate and quantified. All job descriptions were updated with changes based on this process.



Issue: The extent of accommodation provided to disabled employees to continue in their pre-injury assignment, or to be reassigned to another set of responsibilities within either of the public safety departments or within city government as a whole.

□ Response:

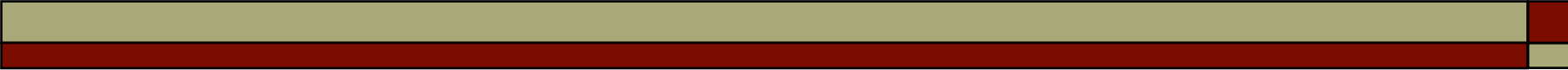
1. Accommodations – A relatively new procedure has been implemented to ask the physician to evaluate whether a disability can be corrected with an accommodation. This may be either something provided by the employer at the job site or something that is required that the claimant wear or have access to.
2. Reassignment: There are only a few light duty jobs available that would permit reassignment. These are left open for those who are unable to perform their regular assignments but are not yet deemed permanently disabled. That is, have not reached their maximum medical improvement.



Issue: The inequity created when some employees on disability retirement actually receive larger after-tax benefits from the pension fund than comparable employees who have served full terms and taken regular retirement.

□ Response:

1. The maximum duty disability is 66 2/3% of the salary in effect on the date of the disability. A Tier I retiree with 25 years experience receives 70% of the average of the highest 3 years of the prior 10 years employment. Any inequity would seemingly be created by the preferred tax treatment of one benefit compared to the other. The Pension Board does not render tax advise to members.
2. The COLA feature of the plan is applied to disability recipients without regard to age. The normal age and service retiree receives COLA only after the age of 56.



Issue: The entire process by which disability applications are considered and approved/rejected. There must be no hint of potential manipulation of that process.

- Response:
- For an active member of the police or fire department to apply for a disability pension, they first submit an application to the Board which includes a copy of the work comp and supervisor's investigation reports (if duty related), a doctor's statement that they have reached maximum medical improvement (MMI) and are not able to perform the job duties, a complete statement of the facts, and all related medical reports. The applicant must also include an authorization for release of all medical records to the pension Board. If all of the information is in order, Board will determine how many independent medical examinations (IME's) are needed. The Board generally will initially send applicants to three doctors but this may vary depending on the complexity of the case. The Board will also determine whether the applicant should perform a functional capacity examination (FCE). In most cases, an FCE is requested. With these determinations, the Board assigns the case to the Board's nurse consultant for processing.
- The nurse consultant acts as a case manager and will determine which doctors should see the applicant. The doctors are selected based upon the specifics of the case to get specialists in the field. The nurse consultant also selects who will perform the FCE. The FCE uses measures the physical abilities of appropriate applicants. It uses statistical measurements to determine whether maximum effort is being exerted or if the applicant is attempting to alter the results. The nurse consultant will gather all relevant medical records and forward to the doctors.



Continued...

The result of the FCE is forwarded to the doctors performing the IME's. They will review the IME's, medical records and job description and then examine the applicant. The doctors will then forward their reports to the nurse consultant. The reports must indicate whether the applicant can do the job requirements, with or without accommodation. The reports must also indicate whether it was the result of occupational duties. Lastly, the report must include when the applicant should be re-evaluated to determine whether the disability still exists.

All of this information is sent to the Board members for an informal review and a vote is taken. The decision of the Board can be appealed by either the applicant or the City for a formal hearing. If appealed, the case is presented to a hearing examiner with both sides putting on their evidence and witnesses. The decision of the hearing examiner is then forwarded to the Board who can accept, reject or modify the results. Once the Board makes the final determination, the City or the applicant can appeal to the Circuit Court whose decision is final.

Disability Experience of the Plan

Disability Retirement

2004 Experience Study

Similar to the mortality decrement, disability requires the experience of a large population to provide credible experience.

The current disability assumption generates eleven expected disabilities for the period July 1, 1999 until June 30, 2004. Actual experience for the period produced 30 disabilities (23 of which are duty related).

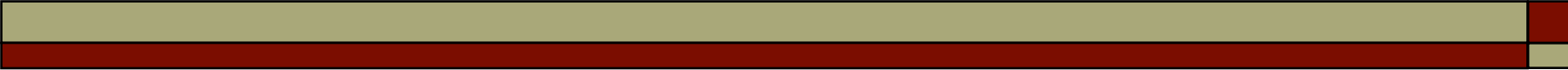
Recommendation

When the last experience study was prepared reflecting experience through June 30, 1999, actual disabilities exceeded the assumption by about 450%. Assumed disability rates were increased by 50% at that time.

The assumed rates continue to lag actual experience by a significant margin.

While the group is not large enough to rely solely on Fund experience, we recommend that assumed disability incidence rates be increased by 50% to bring expected disability incidence closer to the emerging experience.

<u>Age</u>	<u>Present</u>	<u>Recommended</u>
20	0.16%	0.24%
25	0.19%	0.29%
30	0.22%	0.33%
35	0.28%	0.42%
40	0.39%	0.59%
45	0.54%	0.81%
50	1.03%	1.54%
55	2.02%	3.03%



Issues: 1) How were the actuarial assumptions in the 2004 and 1999 experience studies determined?

1. A: According to Milliman, the assumptions were carried over from the standards applied by a prior actuary (Milliman became the System's actuary in 1998.) The implication is that the prior actuary had based their work on good and useful information. The prior studies by that actuary did not shed light on the basis of their disability standards.
2. Milliman increased their assumptions by 50% of the prior standards in both the 1999 and 2004 experience study recommendations.

Issues: 2) What might account for the downward trend in disability experience?

Answers:

1. In the five calendar years 2004-2008, I count 22 disabilities. There were 3 in 2004 and has been 1 through May 31, 2009.
2. The membership may have had fewer older participants in recent years.
3. Safety standards and equipment have improved.
4. Disability processes have been altered.
 1. Three doctors at large compared with old “health board” system.

	Total	45-49		50-54		55-59		60+	
	Active Members	Number	%	Number	%	Number	%	Number	%
1991	482	65	13.5%	37	7.7%	11	2.3%	2	0.4%
1994	409	70	17.1%	44	10.8%	8	2.0%	0	0.0%
1998	482	67	13.9%	28	5.8%	9	1.9%	0	0.0%
2004	567	50	8.8%	36	6.3%	9	1.6%	2	0.4%



Issue: Describe the current restriction on earnings of participants receiving disability benefits and history of enforcement.

**REDUCTION OF DISABILITY PAYMENTS
FOR EMPLOYED BENEFICIARIES**

DRAFT

Issue

If a member receives a disability payment from the Plan, and the member is employed, the Plan requires a reduction in benefit payments, is required, if the member's income plus disability payments exceed the salary at the top step of the job classification at the time of retirement.

Plan Provision

Sec. 2-477 Reduction of disability benefits when beneficiary is gainfully employed.

If any member of the police department or fire department in receipt of a disability pension, whether for duty or non-duty causes, resumes any type of part-time or regular gainful employment, and his earnings there from, together with his pension exceed, at the date of his earnings, the salary then being paid for the same type of job which he held at the time his disability pension began, shall have the disability pension received by him reduced to the extent of such excess during the term of such earnings, and such pension shall be resumed when such earnings no longer cause an excess.



Continued...Disabilities

Proposed Procedure

Each year, in May, the Finance Department will request from all members receiving a disability payment, a copy of their signed IRS Form 1040 and all W-2 and 1099 forms which substantiate the total amount of income listed on the form.

The member's amount of earned income will be compared to the total salary at the top step of the job classification of the member at the time of retirement, plus the past year's disability payments from the Plan. If earned income exceeds this amount, the pension disability payment will be reduced by the amount of the excess. The annual reduction will be divided by 12 and applied to each month of the upcoming year.

If the Finance Department does not receive a member's tax return by September 30, the member's name will be provided to the City Attorney's office for follow up.

The Finance Department will provide a list of members that are subject to a reduction in benefit payments to the Board of Trustees no later than December. The adjusted payments will be considered for approval by the Trustees at the December meeting.



Continued...History of enforcement

1. To date, there has been no enforcement of this provision of the ordinance.
 1. Ordinance Sec. 2-477 “Reduction of disability benefits when beneficiary is gainfully employed” has been in existence for over twenty years.
 2. We filed a lawsuit to enforce the income offset provision in 2000.
 3. While the lawsuit was in process, we were barred by injunction from enforcing the ordinance.
 4. Lawsuit was dropped in march, 2009
 5. We have now collected information from disability beneficiaries for the year 2007 and are sending letters out for 2008 information.