



Date: April 8, 2021  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Subject: Police & Fire Plan Disability Application Process Update

During the past year the number of applications for a PERA Police & Fire Plan duty disability have significantly increased. The vast majority of applications cite Post Traumatic Stress Disorder (PTSD) as the reason for the disability claim.

PERA's board has a fiduciary obligation to our members, the employers, and the state taxpayers. All of these groups have expressed in various ways their desire that disability benefits paid by the Plan are provided fairly to members. The only way for PERA to ensure all stakeholder concerns are met, and members are fairly treated, is to evaluate each application carefully. This process requires careful review by qualified health professionals.

Per statute, PERA has the ability to contract with a third party medical advisor to review the medical reports submitted with disability applications. PERA contracts with Managed Medical Review Organization (MMRO). As a result of the upward trend in psychiatric illness/injury claims, and in order to fulfill our statutory obligations, PERA began an internal conversation over a year ago to review the clinical disability evaluation process as it relates to PTSD and other psychiatric claims. The result was a change in the process to require all psychological and psychiatric claims, which includes PTSD claims, to be reviewed by a board certified psychiatrist. The board certified psychiatrist conducts an initial review to determine whether the diagnostic criteria have been met and whether the member meets PERA Police and Fire disability standards. If necessary, the board certified psychiatrist recommends further independent psychological and psychiatric testing and an independent psychiatric evaluation. The cost for further testing and evaluation is born by PERA, not by individual members.

Shortly after the implementation of the revised evaluation process in August 2020, PERA received, and continues to receive, a high influx of disability claims. Monthly claims have reached levels that are four to five times higher than experienced the previous year. The processing time for evaluation of claims has increased. PERA believes that while the timing of the process revision contributed to longer processing times, the primary cause for delays is the increased volume. As has always been the case, some applications can be processed more quickly than others. The expectation is as the surge in claims subsides, the revised evaluation process will not add significant time to the application process.

On February 23, 2021, the Legislative Commission on Pensions and Retirement (LCPR) devoted a hearing to the PERA disability application process. PERA's presentation for the hearing is attached. There were also PERA members that testified or provided personal impact statements. All materials are available on the LCPR's website.

On March 1, PERA provided a letter to the LCPR that has previously been shared with you. The letter provided an update on actions PERA took immediately following the February 23, 2021 hearing. We also provided an update to the LCPR on March 17, 2021 demonstrating progress towards reducing the processing time for disability applications. PERA has since implemented a plan to pay members as quickly as possible once disability decisions are made.

The change in process and workload has increased the MMRO fees significantly and more than expected. Prior to January, the average monthly expense was \$23,000. In January and February, when the initial bulk of claims began to be processed, expenses were \$87,000 and \$207,000 respectively. We expect the monthly fee to be approximately \$135,000 through the rest of this fiscal year.

Staff will review the LCPR testimony materials, provide an update on processing status, share member concerns, and discuss the financial impact of the heavy caseload at the April meeting. No decision is required by the Board at this time.

# **Police & Fire Plan Duty Disability Application Process and Caseload Status Update**

**February 23, 2021**

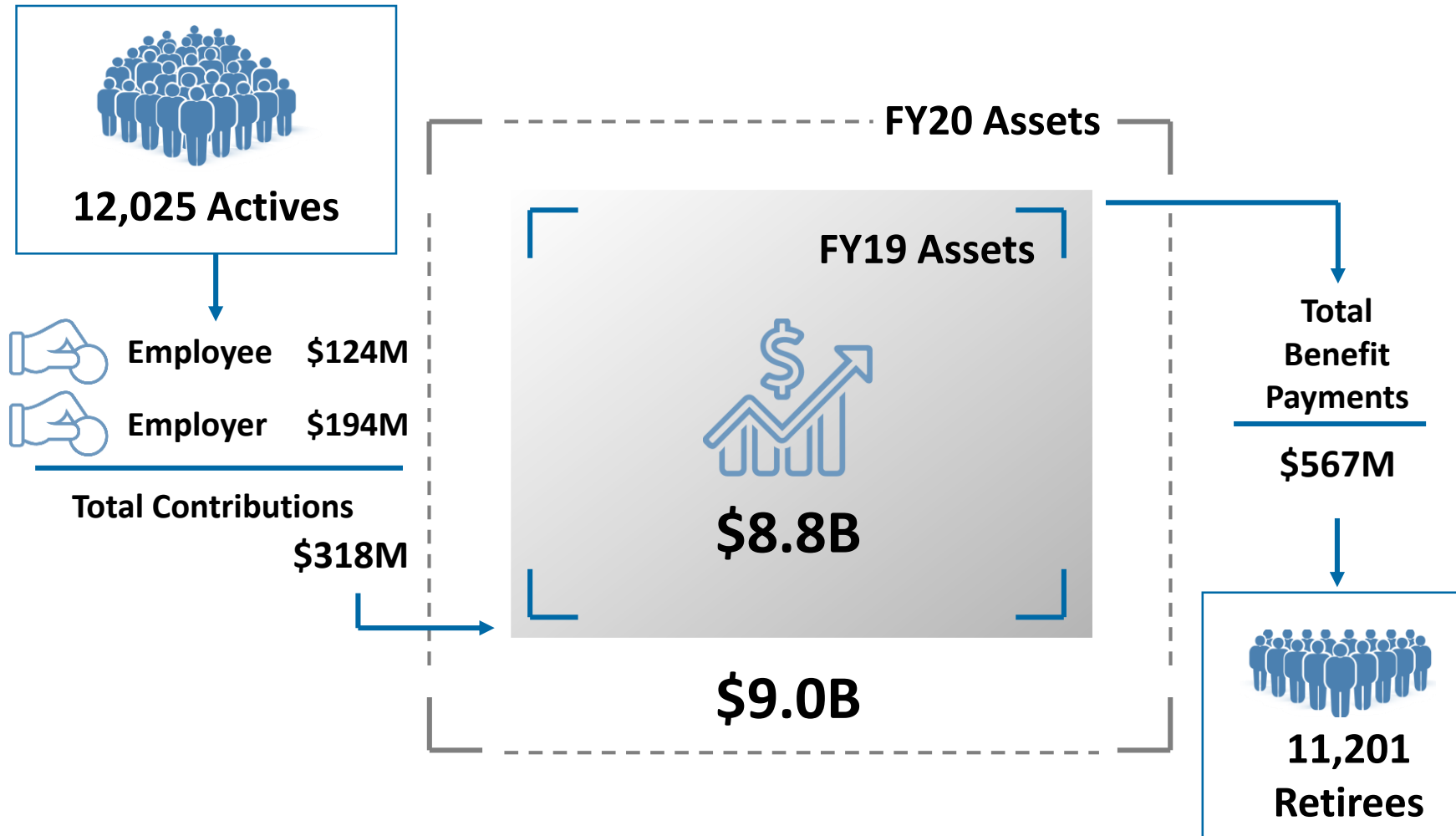
**Doug Anderson, ASA, MAAA, Executive Director**

**Amy Streng, Policy Coordinator**

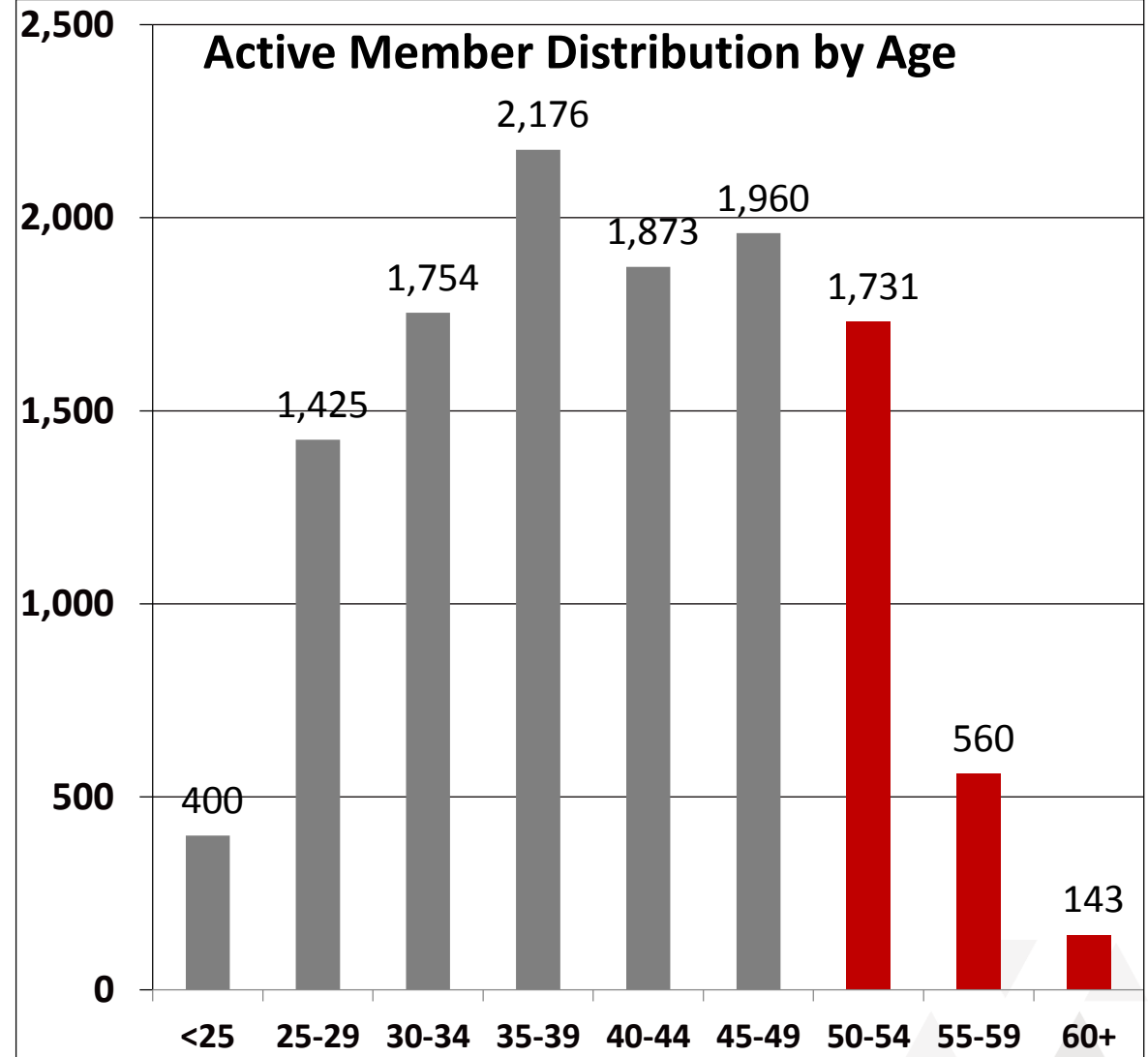
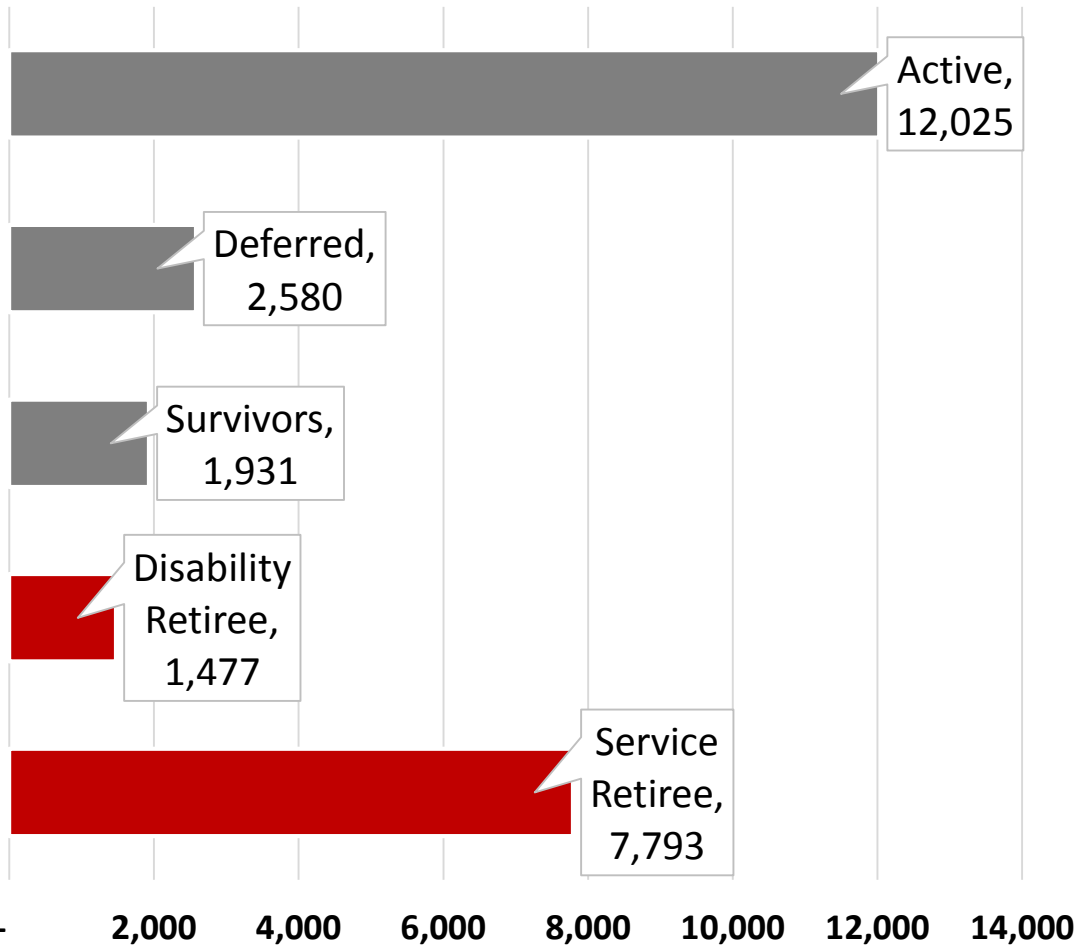
**Julie Leppink, JD, General Counsel**



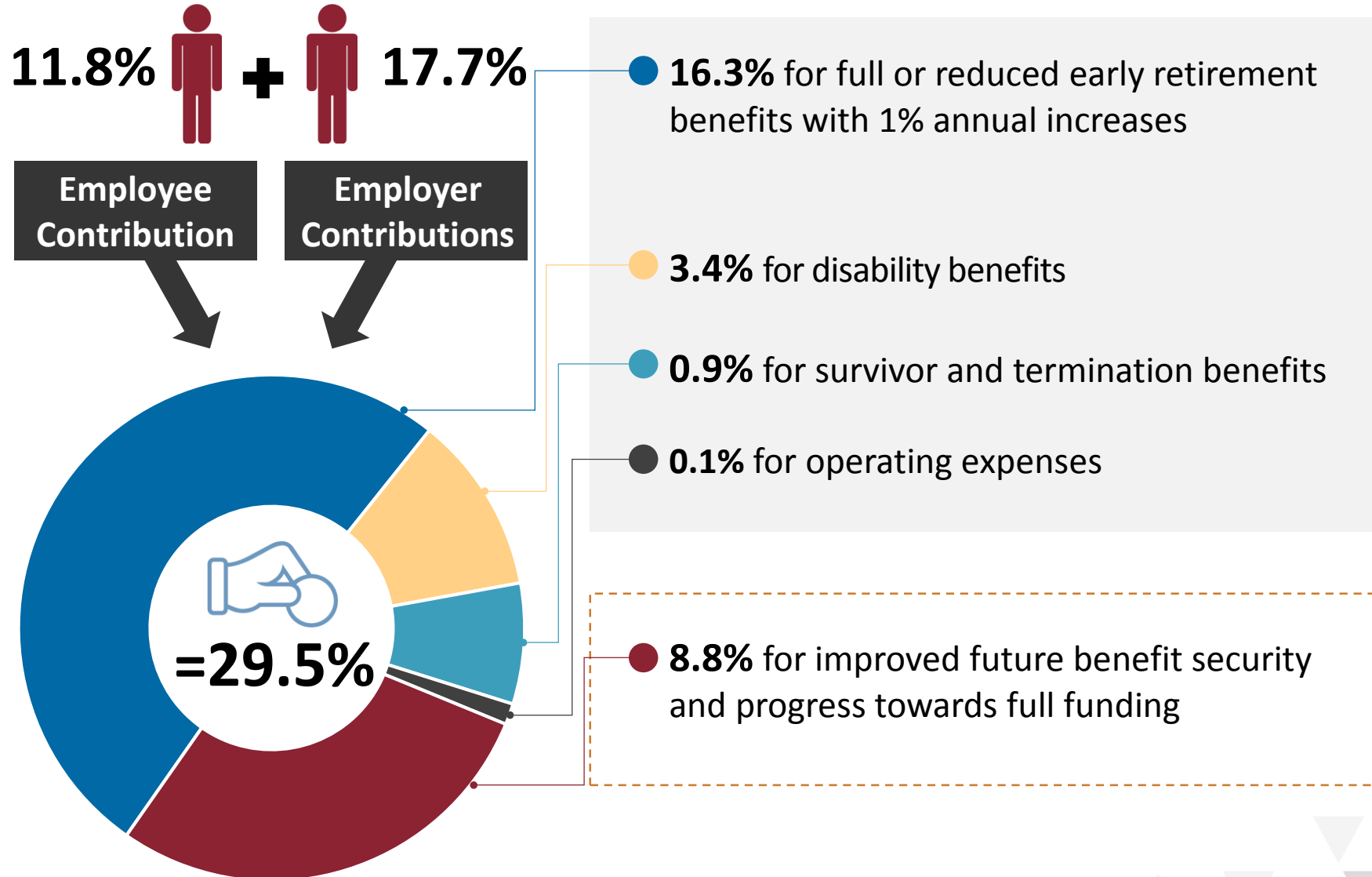
**PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION**

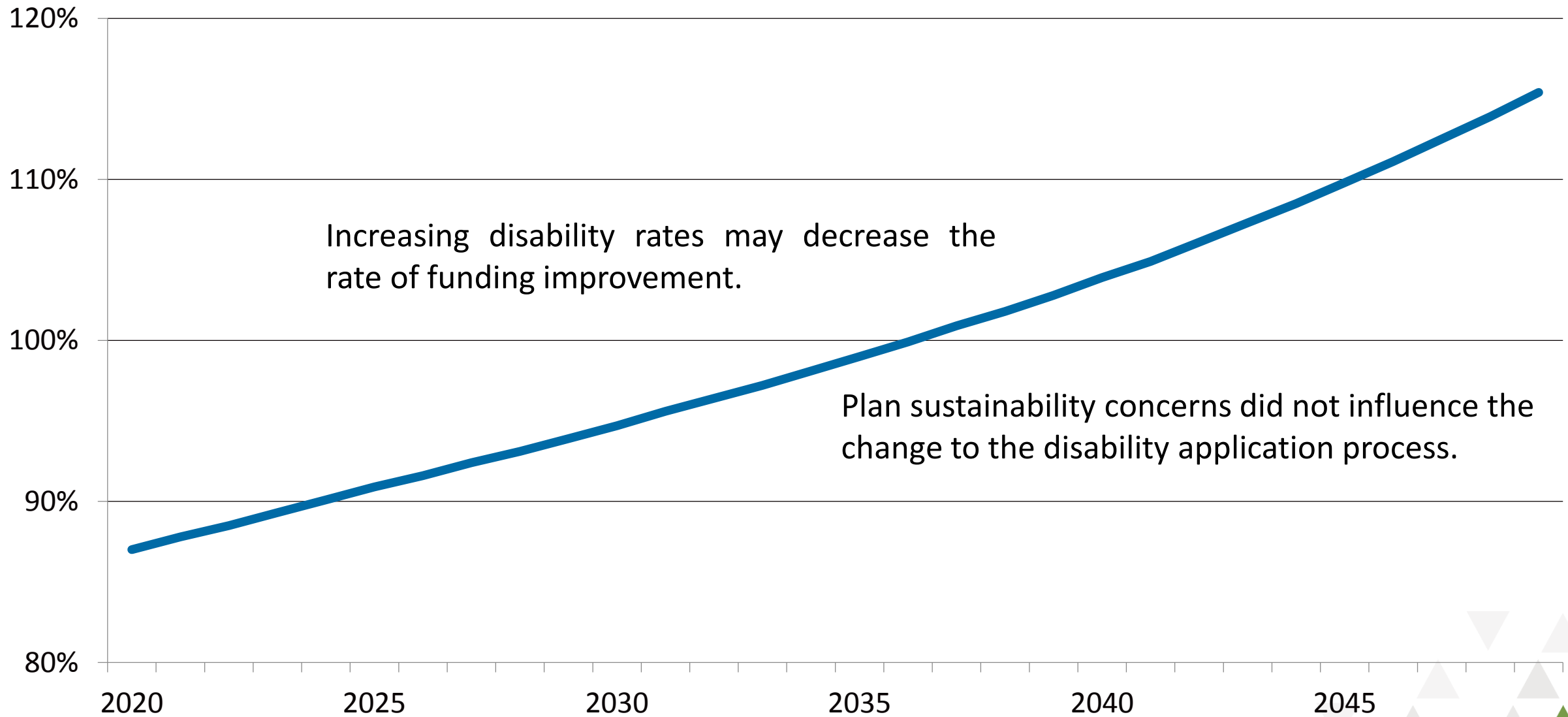


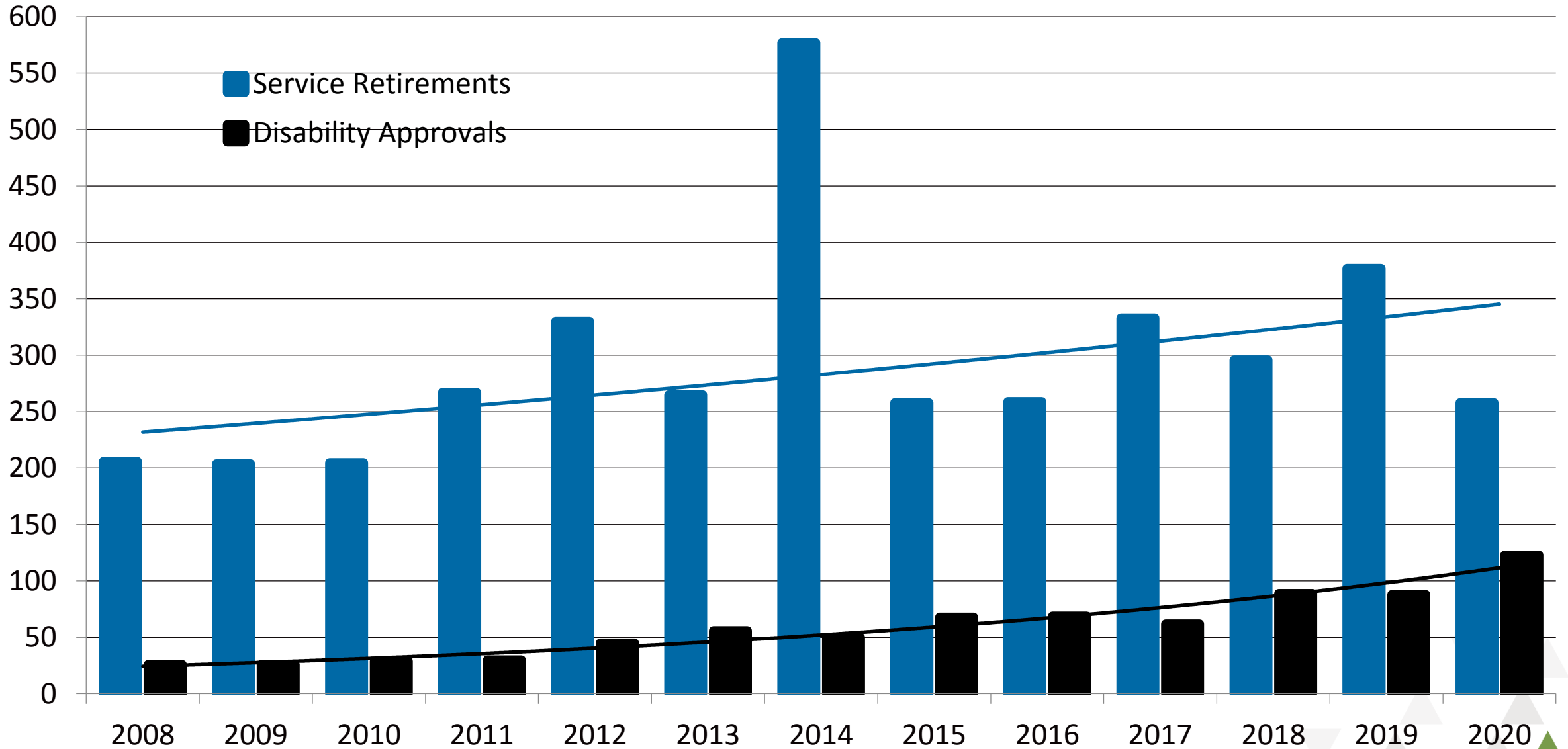
## Membership Distribution



Source: July 1, 2020 Actuarial Valuation prepared by GRS Consulting

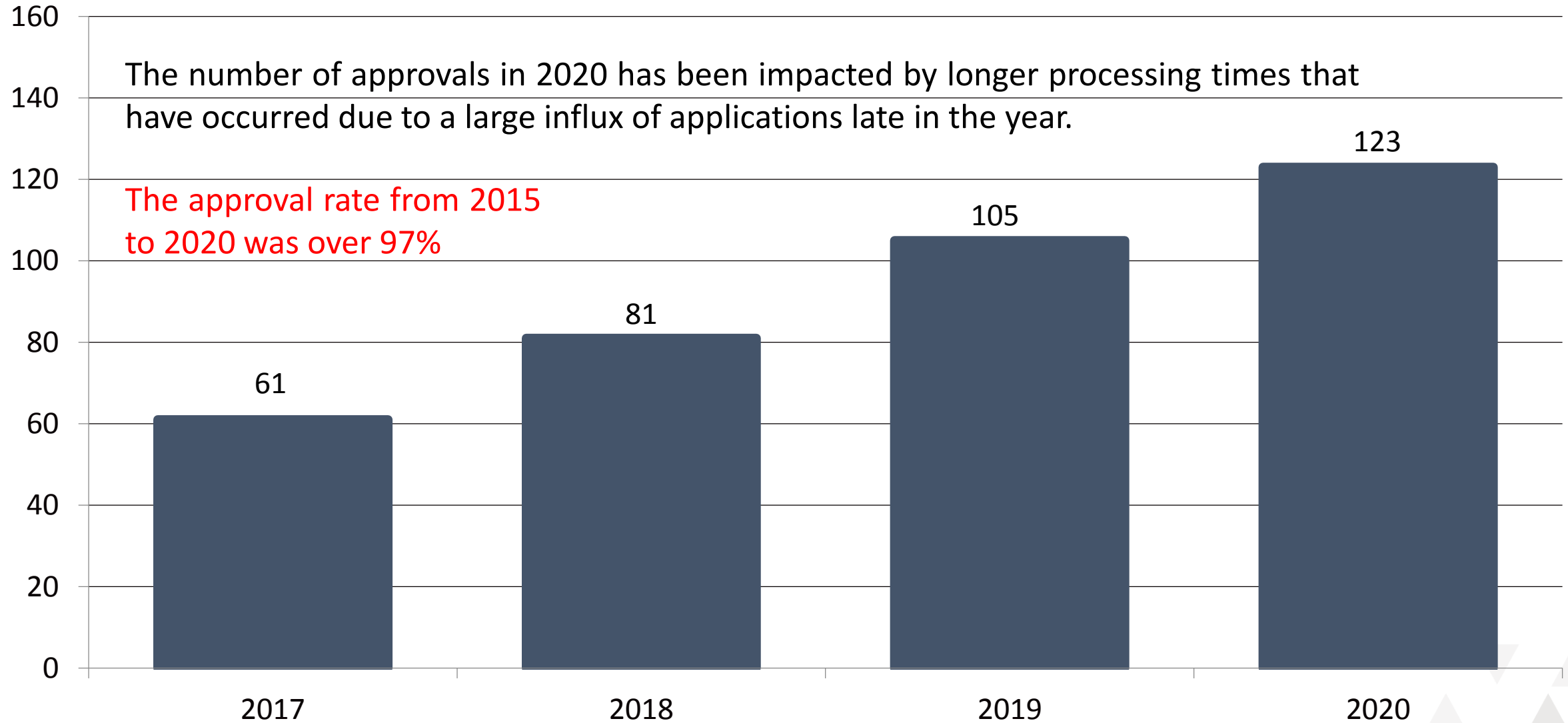


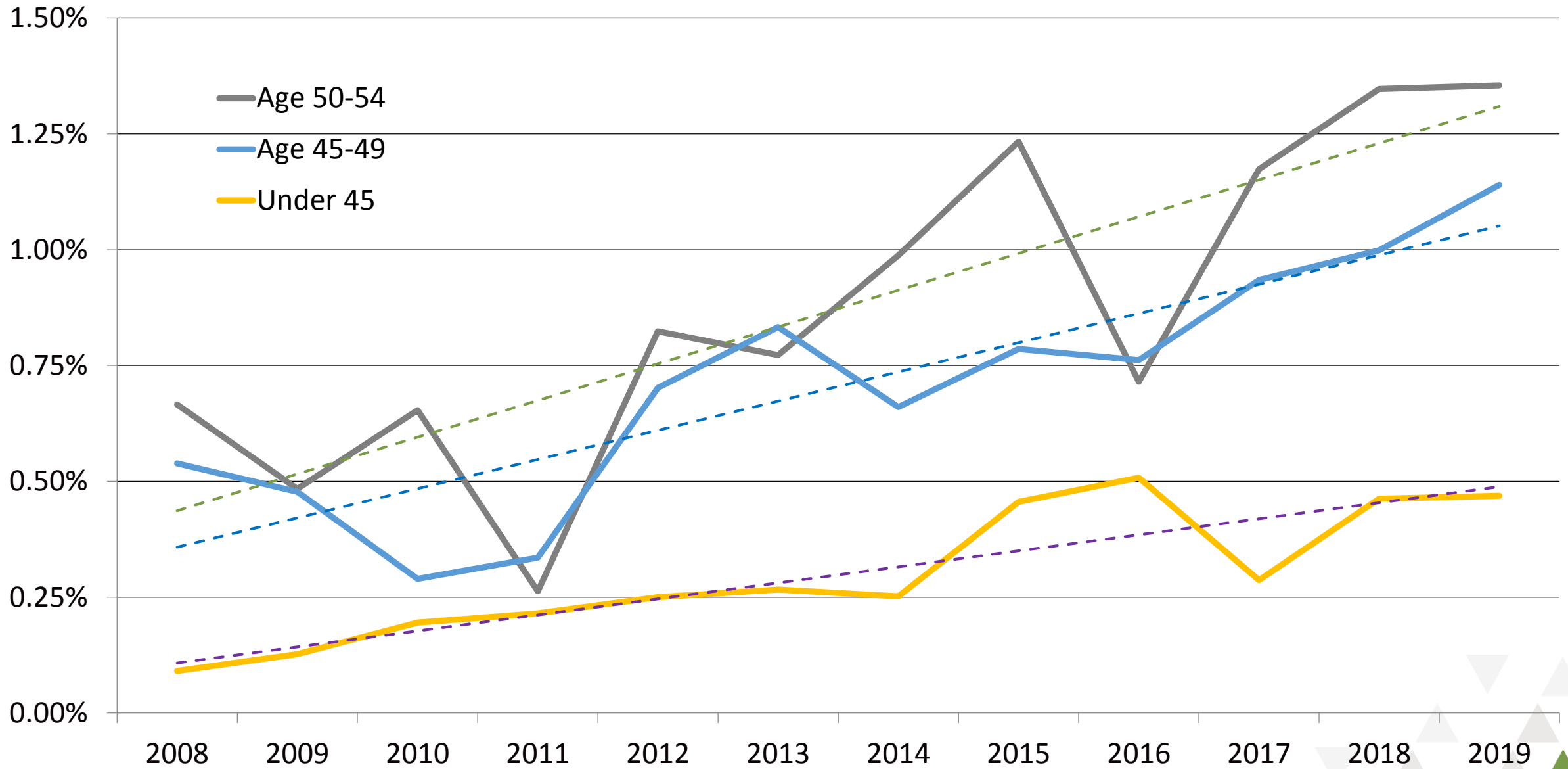


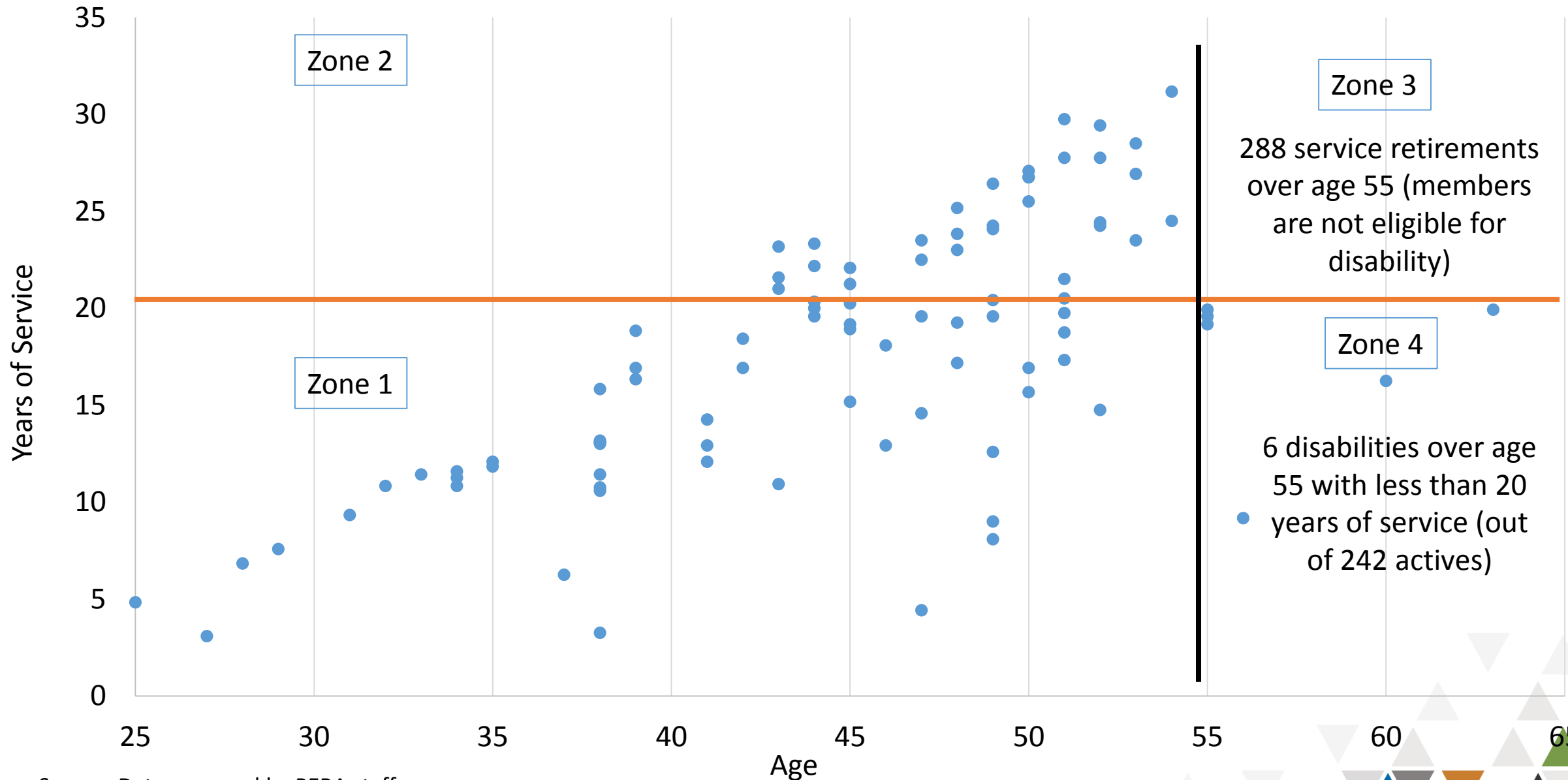


Sources: Disability Approvals from PERA, Service Retirements from 2008 -2020 actuarial reports prepared by GRS & Segal.









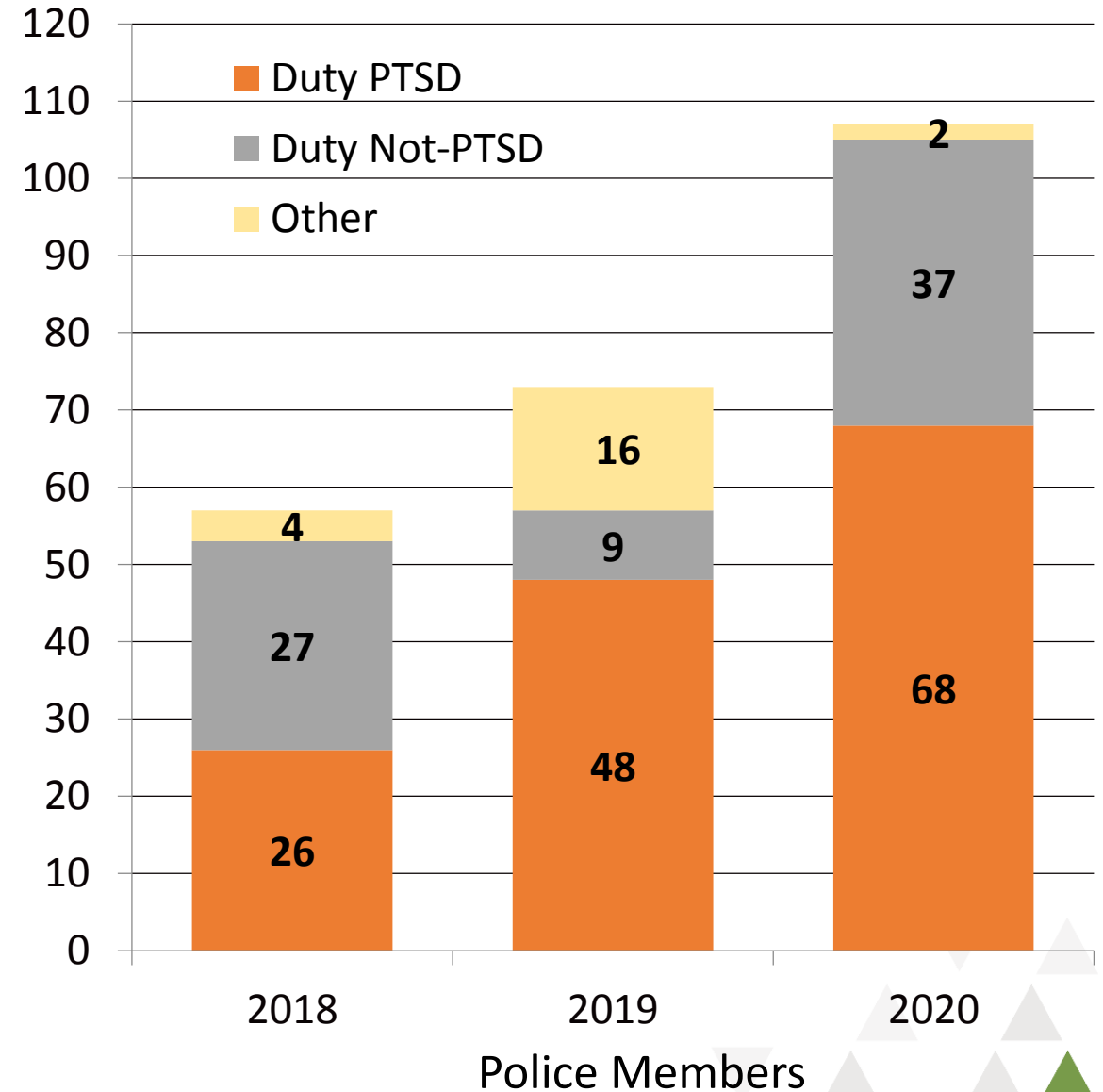
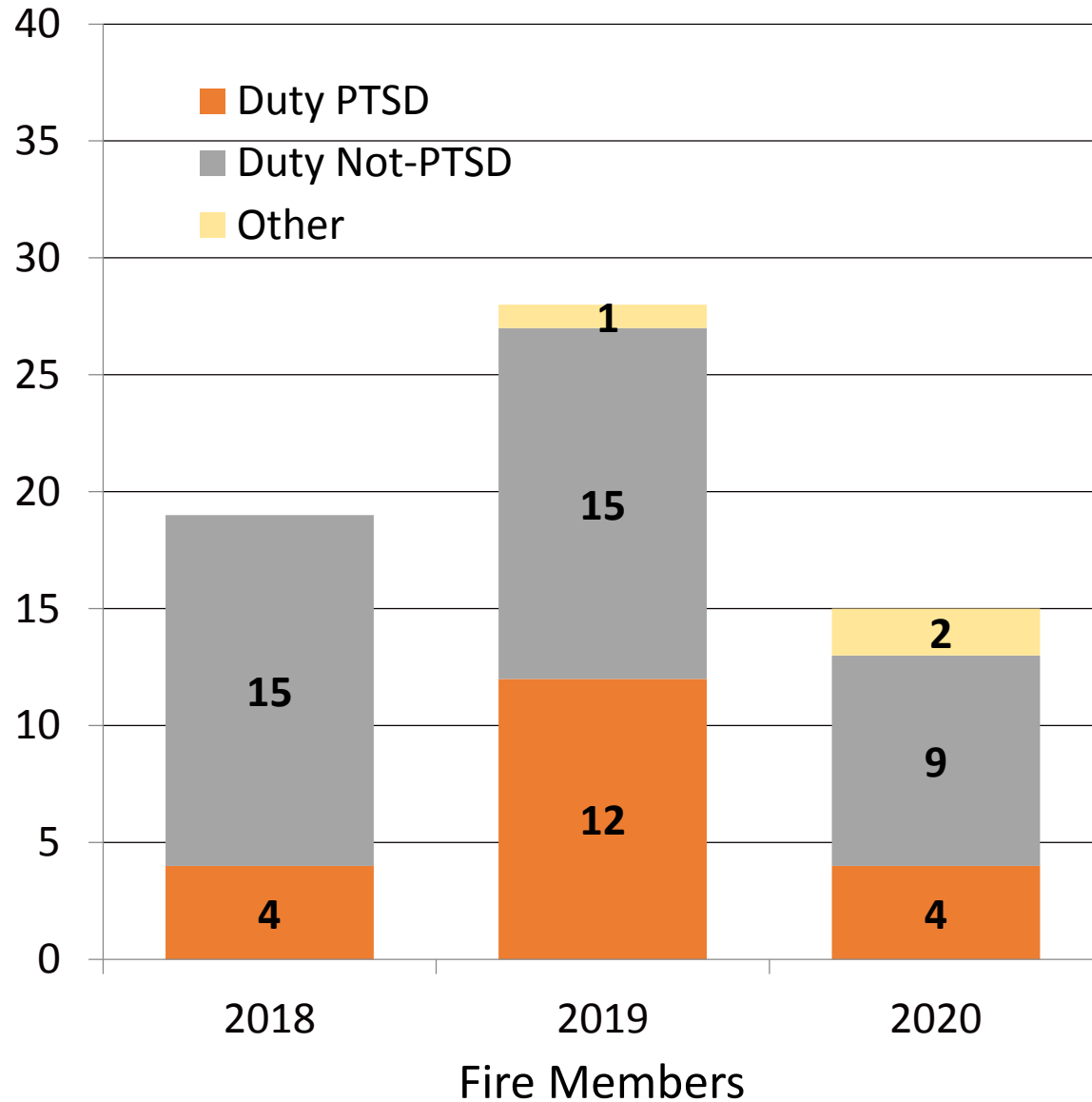
## Duty Disability

- Eligible first day on the job
- Directly attributable to inherent dangers of the job
- Minimum of a 20 year service benefit
  - 60% of Average Salary plus 3.0% for each additional year of service
- For most, minimum benefit is non-taxable until normal retirement age (55)
  - Converts to taxable retirement benefit at normal retirement age
- For most, members receive continued health insurance paid by the employer until age 65

## Regular Disability

- Eligible after 1 year of service
- Maximum of a 15 year service benefit
  - 45% of Average Salary
- Fully taxable
- For most, converts to a retirement benefit at normal retirement age (55)





Previous Process

Peer Review by  
General Physician

Basis for the Decision

Data showed increased % of  
mental health applications

Collaborative PERA  
staff effort

Deliberative process from  
Fall 2019 to Summer 2000

PERA Board reviewed  
August 2020

Revised Process

Peer Review by  
Psychiatrist



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graph LR; A[Member Applies] --> B[Employer Contacted]; B --> C[Consulting Disability Case Manager];
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Member  
Applies

Employer  
Contacted

Consulting  
Disability Case  
Manager



Consulting  
Disability Case  
Manager Process

Physical  
Disability

Review by  
General  
Physician

If further  
information is  
required,  
independent  
medical evaluation  
is conducted

Recommendation  
to PERA

Initial Review  
by a clinical  
nurse

Psychiatric/  
Psychological  
Disability

Review by  
Board Certified  
Psychiatrist

If further information  
is required,  
independent  
psychiatric evaluation  
and testing is  
conducted

Recommendation  
to PERA



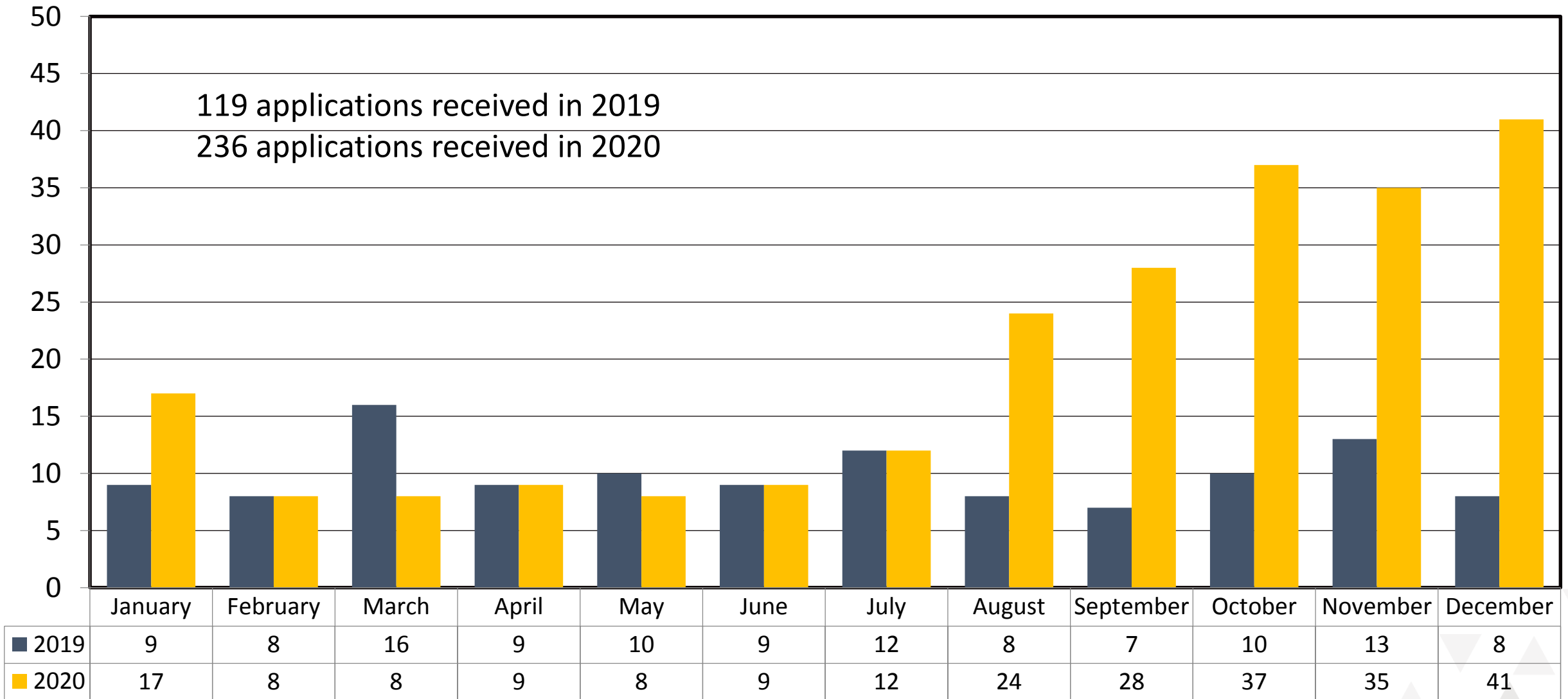


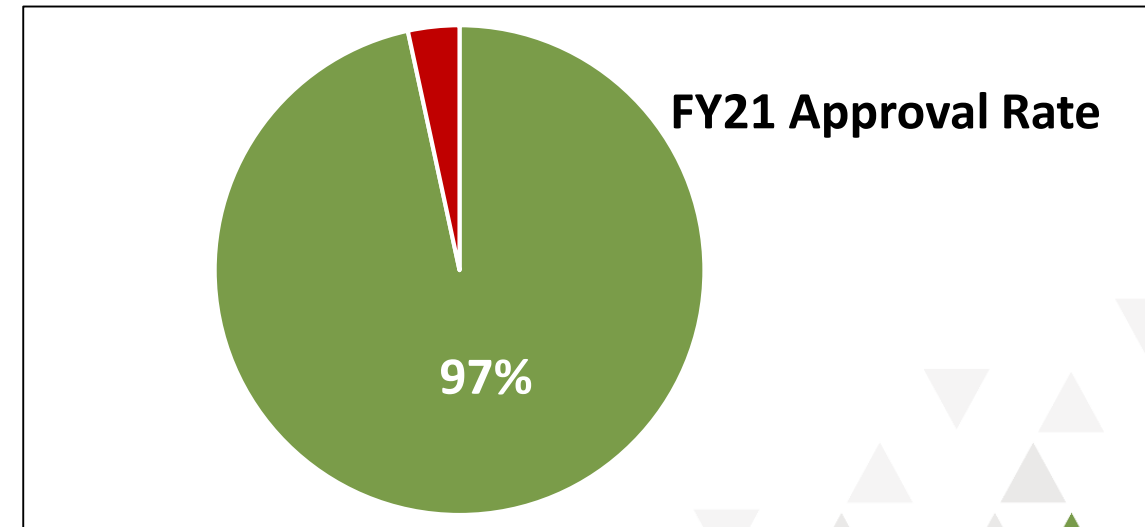
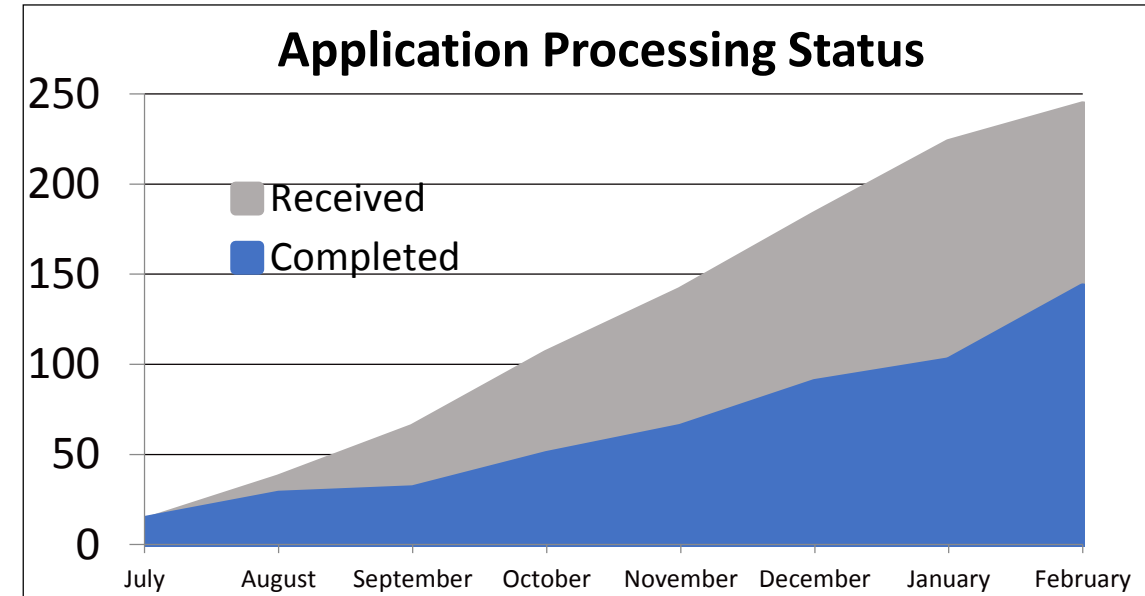
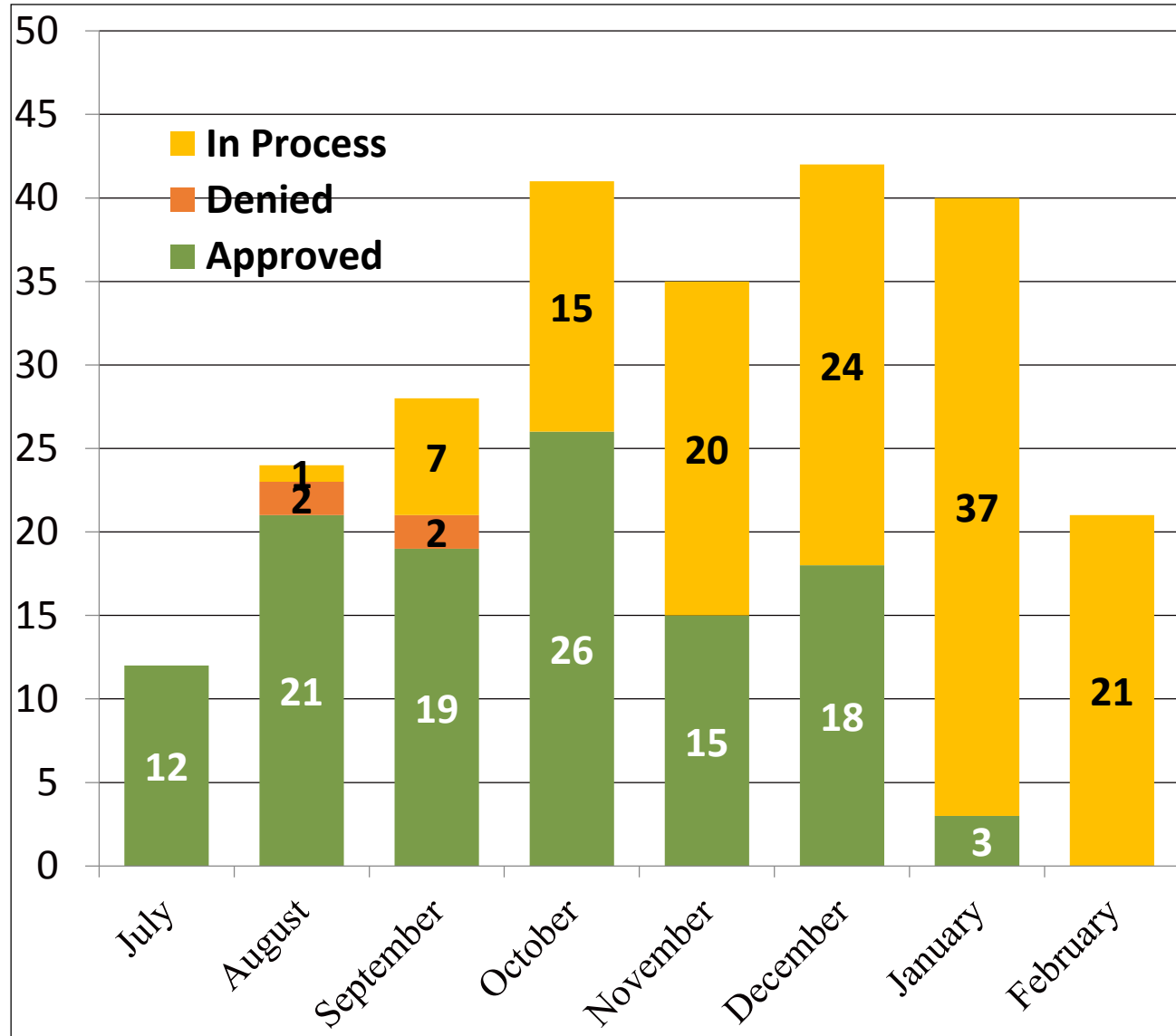
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graph LR; A[PERA Review] --> B[Determination]; B --> C["If approved, members benefit begins, If denied, member may appeal"]
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PERA Review

Determination

If approved,  
members benefit  
begins,  
If denied, member  
may appeal





Source: Data prepared by PERA staff. Data shows status as of February 22, 2020. No denials are currently in an appeal process.

# Questions

[www.mnpera.org](http://www.mnpera.org)

Doug Anderson

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