Disability rates for Police & Fire members have become of increasing concern amongst stakeholder groups. Specifically for PERA, a common concern is whether perceived rising disability rates will adversely impact pension funding status or increase costs. Another concern is whether our process for determining disability eligibility is fair. Because employers are exposed to the cost of continuation of healthcare benefits, a PERA decision may have a significant cost impact to the employers even if there is no adverse cost impact to the Plan.

The combination of pension benefits, healthcare insurance availability, workers compensation, and potential tax advantages create a complicated set of benefits to administer. Whether eligibility requirements and benefits are fair and equitable is a problem that will require a broader coalition to solve. In the meantime, there are a few things PERA can do.

First, we have a considerable amount of relevant membership data that we can share publicly. By doing so, we can replace anecdotal evidence with facts. Our data can also help validate information published by other sources. Good information is an important step to evaluating potential next steps. Data summarizing twelve years of overall disability trends and two years of more detailed PTSD trends will be shared with the Board at the meeting.

PERA can also evaluate the impact of disability rates on our pension plan costs. Generally speaking, the impact of disability trends on the plan seems to be minimal. Because much of the recent increase in disability rates have been amongst relatively older active members, the impact on pension benefit costs has not been too high. Disability retirement benefits are not significantly different from service retirement benefits for members at ages most highly impacted by disabilities. Ultimately plan costs are determined by assumptions of future trends. Our actuary will be evaluating these trends closely when they complete an experience study this spring.

The data presented is primarily an objective reporting of facts. Evaluation of underlying causes or solutions to changing trends has not been part of this analysis. An internal evaluation of PERA’s application and appeal process is an important next step and is currently underway. The Police & Fire disability landscape is clearly changing. Our goal is to identify and understand those changes and work with all stakeholders to ensure PERA’s disability process and benefits are appropriate.
Public Employees Retirement Association of Minnesota

Police & Fire Plan Membership Data

Membership Distribution

- Active, 11,763
- Deferred, 2,765
- Survivors, 1,900
- Disability Retiree, 1,413
- Service Retiree, 7,718

Active Distribution by Age

- <25: 365
- 25-29: 1,362
- 30-34: 1,751
- 35-39: 2,109
- 40-44: 1,879
- 45-49: 2,018
- 50-54: 1,624
- 55-59: 523
- 60+: 132

Source: July 1, 2019 Actuarial Valuation prepared by GRS Consulting
• Approximately 1 out of every 6 retirees (15.5%) are classified as disability retirees.

• Approximately $1 out of every $6 required to fund future benefits for active members is needed to fund expected future disability retirement benefits (3.45% of payroll out of a total of 20.92%).

• An increase (or decrease) in disability retirements would transfer costs from one category of retirement to another, but would likely not significantly impact total pension costs.

Source: July 1, 2019 Actuarial Valuation prepared by GRS Consulting
Police & Fire Plan Annual Disability & Service Retirements

Source: 2008 through 2019 Actuarial Valuation reports as prepared by GRS Consulting & Segal.
Police & Fire Plan % of Disability Retirements

Source: 2008 through 2019 Actuarial Valuation reports as prepared by GRS Consulting & Segal.
Police & Fire Plan Disability Retirement Trend by Age Group

Source: 2008 through 2019 Actuarial Valuation reports as prepared by GRS Consulting & Segal.
Police & Fire Plan Disability Retirement Rate Trend by Age Group

Source: 2008 through 2019 Actuarial Valuation reports as prepared by GRS Consulting & Segal.
### Police & Fire 2008 to 2019 Disability Data Trend Conclusions

- The total number of disability retirements relative to service retirements has increased over the past 5 years.

- Disability retirement rates for members over age 55 have been increasing at a significant rate.

- About 1 out of every 10 retiring over age 55 will do so on a disability retirement.

- Disability rates under age 50 have been increasing, but remain low. Approximately 1 out of every 300 members under age 50 goes on disability retirement each year.

- The annual cost to fund future disability retirement benefits is currently 3.45% of payroll (or approximately $1 out of every $6 of contribution). This is consistent with results that show nearly 1 out of every 6 retirees is on a disability retirement.
Police & Fire Plan Disability Approvals by Quarter 2016 - 2019

Source: Data prepared by PERA staff
## Police & Fire Plan Disability Approvals in 2018 and 2019

<table>
<thead>
<tr>
<th></th>
<th>Calendar Year 2018</th>
<th>Calendar Year 2019</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fire</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duty PTSD</td>
<td>4</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Duty Not PTSD</td>
<td>15</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Non Duty</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Police</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Duty PTSD</td>
<td>26</td>
<td>48</td>
<td>22</td>
</tr>
<tr>
<td>Duty Not PTSD</td>
<td>27</td>
<td>9</td>
<td>(18)</td>
</tr>
<tr>
<td>Non Duty</td>
<td>4</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>76</td>
<td>101</td>
<td>25</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>&lt; Age 40</th>
<th>Age 40 to 50</th>
<th>&gt; Age 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fire (2018 &amp; 2019)</strong></td>
<td>Duty PTSD</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td><strong>Totals (2018 &amp; 2019)</strong></td>
<td>Duty PTSD</td>
<td>27</td>
<td>33</td>
</tr>
</tbody>
</table>

**Total Active Members as of July 1, 2019**

<table>
<thead>
<tr>
<th></th>
<th>&lt; Age 40</th>
<th>Age 40 to 50</th>
<th>&gt; Age 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,587</td>
<td>3,897</td>
<td>2,279</td>
<td></td>
</tr>
</tbody>
</table>

**Annualized PTSD Rate (0.38% overall)**

<table>
<thead>
<tr>
<th></th>
<th>&lt; Age 40</th>
<th>Age 40 to 50</th>
<th>&gt; Age 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.24%</td>
<td>0.42%</td>
<td>0.66%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data prepared by PERA staff
Police & Fire Plan Disability Eligibility and Benefits

**Duty Disability Eligibility**: Physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of the position held by a person who is a member of the public employees police and fire retirement plan, and that is the direct result of an injury incurred during, or a disease arising out of, the performance of inherently dangerous duties that are specific to the positions covered by the public employees police and fire retirement plan.

**Duty Disability Pension Benefit**: Maximum of 60% or 3% times Allowable Service times Final Average Salary (FAS) payable to Normal Retirement age then converted to a normal retirement benefit.

**Duty Disability Healthcare Benefit**: Duty disability is entitled to employer paid healthcare insurance coverage until age 65 as provided under Minnesota Statutes Section 299A.

**Duty Disability Tax Status**: Certain duty disability retirees may be eligible to receive up to 60% of their Final Average Salary tax free for a period of time.

**Regular Disability Eligibility**: Physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of the position held by a person who is a member of the public employees police and fire retirement plan, and which results from a disease or an injury that arises from any activities while not at work, or while at work and performing those normal or frequent duties that do not present inherent dangers that are specific to the occupations covered by the public employees police and fire retirement plan.

**Regular Disability Benefit**: 45% of Final Average Salary (FAS) payable to Normal Retirement age then converted to a normal retirement benefit.

**Total and permanent disability**: Means the inability to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment which can be expected to be of long-continued and indefinite duration. Long-continued and indefinite duration means the that the disability has been or is expected to be for a period of at least one year.