

**REPORT BY THE STATE AUDITOR
OF CALIFORNIA**

**A REVIEW OF SERVICE-RELATED DISABILITY
RETIREMENTS AT THREE RETIREMENT SYSTEMS**

A Review of Service-Related Disability
Retirements at Three Retirement Systems

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California State Auditor
Bureau of State Audits

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Summary

Results in Brief The Public Employees' Retirement System (PERS), the City of Los Angeles Fire and Police Pension Systems (City of Los Angeles), and the San Diego County Employees' Retirement Association (San Diego County) provide disability retirement benefits to their members. When employees are no longer able to perform their jobs, they become eligible for a monthly disability benefit. This audit focuses on industrial disability retirement (IDR) benefits among employees in specific occupations. For employees who are members of the PERS, these occupations are listed in Part 3 (commencing with Section 20000), Division 5, Title 2 of the California Government Code. This list includes such occupations as state traffic officer, state police officer, and correctional officer; the list also includes such local governmental occupations as police officer and fire fighter. For the remainder of this report, we refer to employees of state departments and local governments who work in these occupations as "safety" employees. Not only must the member have worked in one of these specific occupations, but the disabling condition must be the result of the member's employment for the member to qualify for IDR benefits from the PERS. If the disabled member's occupation is not listed as eligible in the California Government Code, the PERS pays ordinary disability retirement (ODR) benefits. The PERS also will pay ODR benefits to members whose occupations are listed as eligible for IDR benefits but whose disability is not a result of the member's employment. An essential difference between ODR benefits and IDR benefits is that PERS applies an earnings limitation to ODR benefits, but not to IDR benefits.

According to Section 21300 of the California Government Code, the PERS may reduce or eliminate a member's ODR monthly pension if that member earns income after retirement from a job that is not in state service, but the PERS cannot do so for any member who receives IDR benefits. The primary objective of this audit was to analyze the impact of applying earning limitations currently applied only to members receiving ODR benefits to "safety" members receiving IDR benefits through the PERS.

Our audit determined that if Section 21300 of the California Government Code allowed the PERS to apply earning limitations (as allowed for ODR) to members with earned income who receive IDR benefits, the PERS would save approximately \$1.8 million a year by reducing member pensions for the 214 members included in our

sample, and a total of \$7.2 million by the time those members reached the age of 50. Our sample did not include individuals who became self-employed after retirement.

Recommendation In response to the increasing costs of IDRs, the Legislature should amend Section 21300 of the California Government Code to apply earning limitations to retirees receiving IDR benefits who are earning income that, combined with their benefits, exceeds their preretirement income. These earning limitations are currently applied to retirees who are receiving ODR benefits and who are earning income above specified levels.

Agency Comments The three retirement systems generally concur with the report, although each of the three systems suggested that we provide elaboration on certain items of information in the report, which we did in this final version of the report. Our comments follow the responses from the three retirement systems.

Introduction

The Public Employees' Retirement System (PERS), the City of Los Angeles Fire and Police Pension Systems (City of Los Angeles), and the San Diego County Employees' Retirement Association (San Diego County) provide disability retirement benefits to their members. When employees are no longer able to perform their jobs, they become eligible for monthly disability benefits. Industrial disability retirement (IDR) benefits are awarded when the employees worked as "safety" employees and acquired their disabilities while performing their jobs. Safety employees work in occupations such as traffic officer, police officer, correctional officer, fire fighter, and certain other occupations specified by the California Government Code.

During fiscal year 1989-90, the three retirement systems paid approximately \$396 million in ordinary disability retirement (ODR) and IDR benefits to 41,200 disabled retirees. The PERS paid approximately \$340 million in disability retirement benefits to approximately 39,000 PERS retirees, according to a PERS benefits analyst. The City of Los Angeles paid approximately \$53 million in disability retirement benefits to approximately 2,000 former safety employees, and San Diego County paid approximately \$3.3 million in disability retirement benefits to approximately 200 former safety employees during fiscal year 1989-90. The appendix presents IDR trends for calendar years 1986 through 1990 for the PERS, the City of Los Angeles, and San Diego County.

Disability Programs at the PERS

The PERS is a statewide public employee retirement system that acts as a common investment and administrative agent for member agencies that include the State of California; public schools; and more than 1,200 local agencies, such as counties, cities, and special districts. A disabled member of the PERS receives either IDR benefits or ODR benefits. The PERS defines "disability" or "incapacity for performance of duty" as a disability of extended or uncertain duration. The determination of a disability is made by either the PERS Board or a local governing body based on competent medical opinion. IDR benefits are available only to members who work at occupations specifically listed in Part 3 (commencing with Section 20000), Division 5, Title 2 of the California Government Code. Specifically, traffic officers, correctional officers, police officers, youth authority counselors, and fire fighters in state and local government are eligible to receive IDR benefits. Regardless of age or years of service, an

employee disabled as a result of his or her employment is eligible for IDR benefits. According to Section 21292.1 of the California Government Code, IDR benefits usually represent 50 percent of a disabled member's final compensation (in addition to an annuity based on the member's accumulated contributions). During the period of our audit, final compensation was based on the member's highest average annual salary for any three consecutive years of employment by the State or by a local public agency.

According to the California Government Code, a PERS member who receives IDR benefits may earn income without having his or her disability benefits reduced or terminated unless the member goes to work for another PERS employer. In that instance, the pension is reduced if a member's salary and pension total more than the amount that the member would have earned in his or her former position at retirement. In contrast, a PERS member who receives ODR benefits and is under the age of 50 may have his or her benefits reduced if postretirement income exceeds prescribed limits. According to Section 21300 of the California Government Code, if recipients of disability retirement other than IDR become self-employed or go to work for employers that are not in the PERS, their monthly disability retirement pensions will be reduced. This reduced amount, when added to a member's monthly income, cannot exceed the maximum salary of the member's position before retirement. According to Section 21300 of the California Government Code, the PERS cannot reduce the ODR benefits of members over the age of 50 (the minimum age of voluntary retirement).

**Disability
Programs at the
City of
Los Angeles Fire
and Police**

The City of Los Angeles Fire and Police Pension Systems were established under Article XXXV of the charter of the City of Los Angeles. Members of the City of Los Angeles Fire and Police Pension Systems, all of whom are considered safety employees, are eligible for one of two types of disability pensions: nonservice-related disability pensions or service-related disability pensions. Service-related disability retirements are similar to the IDRs of the PERS. Although disabled members must be employed for a minimum of five years by the City of Los Angeles to receive nonservice-related disability retirements, there is no requirement of a minimum number of years of employment for employees to receive service-related disability retirements. Table 1 shows the differences between the nonservice-related and service-related disability pensions.

**Table 1 Disability Pensions of the City of Los Angeles
Fire and Police Pension Systems**

| Hire Date | Nonservice-Related Disability Pension | Service-Related Disability Pension |
|---------------------|---|--|
| Before 12-8-80 | 40 percent of pension base ^a | 50-90 percent of pension base |
| On or after 12-8-80 | 30-50 percent of final average salary | 30-90 percent of final average salary ^b |

^a “Pension base” is the monthly salary the member received immediately before retirement.

^b Pensions cannot be awarded for less than 2 percent for every year of service.

As shown in Table 1, the City of Los Angeles offers different benefit amounts for nonservice-related and service-related disability benefits depending on whether the members were hired before, on, or after December 8, 1980. According to a senior pension claims analyst at the City of Los Angeles, members who were hired before December 8, 1980, may receive service-related disability benefits if the disability partially results from the performance of the members’ jobs. In contrast, for members who were hired on or after December 8, 1980, the performance of their jobs must be the predominant cause of their disabilities for them to receive IDR benefits. For nonservice-related and service-related disability pensions, the actual benefit percentage depends on the extent of the disability. Although the city does not reduce the pensions of members who earn income after retirement, pensions are reduced if members receive Workers’ Compensation awards.

Disability Programs at the San Diego County Employees’ Retirement

The San Diego County Employees’ Retirement Association, which was created under the County Employees’ Retirement Law of 1937, is the public employee retirement system established and administered by the County of San Diego to provide pension benefits for its employees. San Diego County defines “service disability” as being permanently incapacitated, physically or mentally, for the performance of duty. This permanent disability must have resulted from an injury or disease arising from employment. Employees whose duties consist of active law enforcement or active fire fighting are considered safety members of the association. All other permanent or interim employees working at least half time are considered general members. The eligibility requirements for nonservice- and service-related disability benefits are

the same as for general and safety members. Nonservice-related disability benefits are provided to disabled members who have been employed by the county for a minimum of five years, regardless of age. There is no requirement of a minimum number of years of employment for employees to receive service-related disability benefits. For nonservice-related disability benefits, San Diego County pays an amount based on a disability formula or service retirement allowance, whichever is greater. For service-related disability benefits, San Diego County pays a benefit of 50 percent of the member's final compensation or regular service retirement allowance, whichever is greater. If retired members of the system obtain jobs outside the county, their retirement pensions are not reduced. Whenever retired members obtain new jobs with the county, their pensions are reduced.

Light Duty Requirements

Oftentimes, members who are no longer able to perform their jobs are offered "light duty" positions that may be less physically or psychologically demanding than the members' positions at retirement. Each PERS agency determines if light duty would be appropriate for the member in lieu of awarding disability retirement benefits. Based on our review of a sample of case files, the City of Los Angeles Police Department strongly encourages light duty assignments whenever possible. The City of Los Angeles Fire and Police Pension Systems generally will not approve disability retirement if a member refuses a light duty assignment. According to the City of Los Angeles Fire and Police Pension Systems, up to 66 percent of the members who apply for disability are placed in light duty assignments. The San Diego County Employees' Retirement Association does not pursue light duty assignments for its members, although the county employment office may do so. In San Diego County, light duty assignments are always temporary.

Comparison of the Three Systems

Table 2 summarizes the general characteristics of each of the three retirement systems.

Table 2 Summary Comparison of the Service-Related Disability Plans of the Three Retirement Systems

| Retirement System | Eligible Employees | Eligibility Requirements | Pension Amount | Pension Reduction | Light Duty |
|--|------------------------------|---|---|--|--|
| Public Employees' Retirement System | Safety employees | Members must be disabled as a result of an industrial disability and be incapable of performing assigned duties | 50 percent of final compensation, or regular service retirement allowance, if greater | Pension is reduced if member is employed by another PERS agency | Each PERS agency determines if light duty is appropriate |
| Los Angeles Fire and Police Pension Systems | Safety employees | Members must be disabled as a result of an industrial disability and be incapable of performing assigned duties | Ranges from 30 to 90 percent of pension base or final average salary, depending on extent of disability | Pension is reduced by Workers' Compensation award | Disability retirement is denied if light duty is refused |
| San Diego County Employees' Retirement Association | General and safety employees | Members must be disabled as a result of an industrial disability and be incapable of performing assigned duties | 50 percent of final compensation or regular service retirement allowance, whichever is greater | Pension is reduced by wages earned from job with the county after retirement | Light duty is only temporary and is not required |

Description of the Application and Adjudication Process for Industrial Disability Requirements

After a PERS member (other than a safety employee of a local government) completes an application for disability and submits it to the PERS, the member undergoes a medical examination. The member can be examined by the member's own physician or by a Workers' Compensation physician, who usually conducts examinations to determine if individuals are eligible to receive Workers' Compensation benefits. If existing medical reports are conflicting as to whether the member is disabled, an independent medical examination is scheduled from a list of physicians maintained by the PERS. If the medical examination and other available information, such as an accident report, show that the member is physically or mentally incapacitated for the performance of his or her duties in state service, the PERS awards disability retirement benefits. In the case of a local government safety employee, the local government is charged with collecting evidence of disability and making the determination.

A City of Los Angeles member applies for disability retirement benefits with the City of Los Angeles Department of Pensions. After the Department of Pensions receives the application and medical information, it schedules an appointment for the member with a physician in the specialty for which a disability is being claimed. The physician conducts an independent examination and submits a written report to the Board of Pensions. In addition, a member must attend a hearing before the board, during which time the board considers the member's testimony, evidence, and medical reports.

At San Diego County, the retirement office makes an administrative recommendation for approval or disapproval based on the member's application for an industrial disability retirement and physician reports. In the event that there is some disagreement among the physicians as to the permanence of the disability, a hearing officer is appointed to rule on the facts and make a recommendation to the Board of Retirement. A member must be evaluated by a county-selected physician. If the retirement office approves the application, the materials are sent to the county counsel and the county treasurer/tax collector for approval. If the application is approved at these levels, it is forwarded to the Board of Retirement for formal approval.

Scope and Methodology

The primary objective of this audit was to analyze the impact of applying earning limitations currently applied only to ODR benefits to "safety" members receiving IDR benefits through the PERS. To analyze the impact of applying earning limitations to members of the PERS receiving IDR benefits, we selected a sample of 248 of approximately 1,000 IDR beneficiaries who were under the age of 50, who retired in calendar year 1990, and whose outside earnings combined with disability retirement pensions exceeded \$3,500 per month (based on wage information from the Employment Development Department). Our sample did not include self-employed individuals.

To collect preretirement salary data, we mailed salary surveys to each member's previous employer. Employers were asked to provide information on the member's job classification at the time of retirement and on the maximum monthly salary paid for that position in 1990. If the classification from which the beneficiary retired no longer existed, the employer was asked to provide salary data for a current job classification that could be considered comparable to the job classification the beneficiary held. We received completed salary surveys for 214 of the 248 beneficiaries in our sample. To calculate the IDR savings through earning limitations, we applied the methodology that the PERS currently uses to limit earnings for ODRs. Our calculations are based on preretirement monthly earnings that do

not include incentive pay, such as educational incentives and bilingual incentives. We also did not include fringe benefits in our calculations of postretirement wages.

As part of this audit, we also identified IDR trends for calendar years 1986 through 1990 for the three retirement systems. Our analysis of IDR trends is presented in the appendix.

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Chapter 1 **Estimate of Savings in Retirement Benefits If Earning Limitations Applied to Industrial Disability Retirement Benefits**

Background In July 1984, the Office of the Auditor General (OAG) conducted an audit to identify methods to reduce the costs of disability programs at the Public Employees' Retirement System (PERS), the State Teachers' Retirement System, and the University of California Retirement System. To reduce the costs of state disability programs, the OAG recommended that the Legislature amend Section 21300 of the California Government Code to authorize the PERS to reduce industrial disability retirement (IDR) benefits of members whose combined earned income as retirees and disability benefits exceeded the highest current salaries for positions that members held when they became disabled. However, Section 21300 of the Government Code was never amended to authorize the PERS to reduce the IDR benefits of retirees with outside income. Our current report is a follow-up to the 1984 report, *State Retirement Systems Are Paying Excessive Disability Payments*.

With the exception of members who earn income from another PERS employer after retirement, the PERS cannot apply earning limitations to individuals receiving IDR benefits. However, state law requires the PERS to reduce pensions to all other disabled members whose earned incomes exceed prescribed limits. We looked at a sample of 214 PERS members who were under the age of 50 and whose outside earnings combined with disability retirement pensions exceeded \$3,500 each month. Approximately 1,000 PERS members currently receiving IDR benefits have outside earnings combined with disability retirement pensions that exceed \$3,500 a month. We limited our sample to PERS members under the age of 50 because Section 21300 of the California Government Code allows the PERS to apply earning limitations to members with outside earnings before reaching the minimum age for voluntary retirement (age 50). We found that most of these members have earnings combined with disability pensions that exceed the highest 1990 salaries for positions held before retirement.

If Section 21300 of the California Government Code allowed the PERS to apply earning limitations to IDR benefits to members with earned income, the PERS would save approximately \$1.8 million a year, or \$7.2 million by the time the 214 members included in our sample reached the age of 50. Furthermore, these calculations do not include

self-employed PERS members, whose earnings from self-employment are not reported to the Employment Development Department.

**The PERS Pays
Industrial
Disability
Retirement
Benefits**

The PERS provides IDR benefits to disabled members who work in specific occupations listed in Part 3 (commencing with Section 20000), Division 5, Title 2 of the California Government Code. This list includes such occupations as state traffic officer, state police officer, and correctional officer; the list also includes such local government occupations as police officer and fire fighter. If the member is to qualify for IDR benefits from the PERS, the disabling condition must be the result of the member's employment.

As discussed earlier, the PERS must reduce or eliminate ordinary disability retirement (ODR) pensions to members whose earnings exceed prescribed limits. However, because the law does not allow for it, the PERS cannot reduce IDR benefits even if a member receiving such benefits earns substantial income. In 1961, the Legislature amended Section 21300 of the California Government Code to exempt PERS members receiving IDR benefits from earning limitations. At that time, the PERS estimated that not limiting IDR benefits of members who earn income would cost the PERS approximately \$50,000 annually. The authors of the legislation stated that limiting the IDR benefits of state employees would be too difficult and costly. The authors also stated that local safety employees should receive special treatment because these employees are subject to unusual hazards and risks beyond those taken by other government employees.

However, the annual cost of providing IDR benefits to PERS members is substantially greater than the 1961 estimate of \$50,000. As we will show later in this chapter, if the PERS could limit IDR benefits, it would save at least \$1.8 million during the first year for just the 214 members in our sample.

**Some PERS
Members Earn
High Income
While Receiving
IDR Benefits**

Many PERS members who are receiving IDR benefits are also earning income. Using earnings reported by employers to the Employment Development Department for individuals included in our sample, we found that the highest monthly income earned was \$20,500. Our sample did not include self-employed individuals. The lowest monthly income earned for one of the retirees in our sample was \$1,667.

Table 3 below presents the earnings reported by employers to the PERS and the Employment Development Department for PERS members whose monthly earnings combined with IDR pensions exceeded \$3,500 a month. The earnings in the table do not include potential earnings from self-employment.

Table 3 Average Monthly Income Earned in 1990 Combined With Monthly Pensions for a Sample of PERS Members Receiving IDR Benefits

| Average Monthly Earned Income | Number of Members |
|-------------------------------|-------------------|
| \$10,000 and above | 5 |
| \$ 9,000 - \$9,999 | 2 |
| \$ 8,000 - \$8,999 | 3 |
| \$ 7,000 - \$7,999 | 4 |
| \$ 6,000 - \$6,999 | 11 |
| \$ 5,000 - \$5,999 | 33 |
| \$ 4,000 - \$4,999 | 87 |
| \$ 3,500 - \$3,999 | 69 |
| | 214 |

As Table 3 shows, many disabled PERS members earned high income while receiving industrial disability benefits. For example, a retired state traffic officer who earned \$3,376 a month before retirement earned \$14,463 a month in outside earnings combined with disability retirement pension earnings in 1990. In that instance, the state traffic officer earned \$13,462 a month in outside earnings and received an IDR pension of \$1,001 a month. In another example, a retired fire fighter who earned \$3,242 a month before retirement earned \$7,674 a month in 1990 in outside earnings. Despite their high earnings, these former safety employees continue to receive full disability benefits from the PERS.

Reducing IDR Benefits Would Lower Costs at the PERS

The PERS would save millions of dollars if the retirement system could reduce the IDR pension of members whose earned income combined with disability pension exceed the salaries for the positions the members held when they became disabled. PERS employers, both state and local, would ultimately benefit from savings generated through reduced PERS contributions. For our sample of 214 PERS members who are receiving IDR benefits, we estimate that the PERS would save at least \$1.8 million a year by reducing member pensions. The PERS would save a minimum of \$7.2 million by the time the 214

members reach the age of 50. According to Section 21300 of the California Government Code, the PERS cannot reduce ODR benefits of members over the age of 50. In estimating the amount of savings, we assumed that the provisions of earning limitations for ODRs would be applied to IDRs so that after retirees reach the age of 50, their retirement benefits would no longer be subject to earning limitations.

Table 4 presents monthly savings for the PERS if earning limitations were applied to members who earned income and collected IDR benefits.

Table 4 Average Monthly Savings in 1990 for the PERS If Earning Limitations Were Applied to Members Receiving IDR Benefits and Earning Income

| Average Monthly Savings | Number of Members |
|-------------------------|-------------------|
| \$1,000 and up | 55 |
| \$ 750 - \$799 | 61 |
| \$ 500 - \$749 | 31 |
| \$ 250 - \$499 | 32 |
| \$ 1 - \$249 | 12 |
| | 191 |

As Table 4 shows, savings for the PERS could be generated from 191 disabled PERS members included in our sample. Using this calculation method, savings could not be generated from 23 retirees in our sample because their reported earnings combined with IDR benefits did not exceed their monthly incomes before retirement. The highest pension reduction identified in our analysis for one disabled PERS member was \$1,646 a month. The lowest pension reduction identified in our analysis for a disabled PERS member was \$58 a month. The average pension reduction for PERS members in our sample was \$798 a month.

To calculate these potential savings to the PERS, we used the PERS procedures for reducing the ODR benefits of its members. In our calculations, monthly IDR benefits were not offset by an amount greater than the total monthly pension provided to that member. Using benefit information from the PERS and wage information from the Employment Development Department, we added a member's monthly earned income for 1990 to their IDR pension for the same period. From this number, we subtracted the highest monthly salary the member could have earned in 1990 for the same position held before

they were disabled. If the result was less than the member’s total monthly disability pension amount, the difference is the amount that PERS could reduce the monthly disability payments. If the difference exceeded the member’s monthly disability pension amount, the reduction would be limited to the amount of the member’s monthly pension because the savings cannot exceed the amount of the disability pension. Table 5 provides an example of our calculation.

Table 5 Sample Calculation of Savings by Offsetting IDRs for Outside Earnings

| | |
|---|---------------|
| Retiree’s monthly earned income | \$ 1,500 |
| Add: Retiree’s monthly pension | 750 |
| <hr/> | |
| Total Earned Income and Pension | 2,250 |
| Less: Highest 1990 salary for retiree’s last position | (2,000) |
| <hr/> | |
| Total Reduction in Pension | \$ 250 |
| <hr/> | |

We limited our analysis to disabled PERS members under age 50 because PERS members receiving ODR benefits are not subject to earning limitations after age 50. The average age of retirement for disabled PERS members was 46. We multiplied the total annual savings of \$1.8 million for our sample by four (50 minus 46) to calculate how much the PERS would save by the time each member reaches age 50. Thus, the PERS would save an estimated \$7.2 million for 214 of its IDR retirees in 1990.

Conclusion In this audit, we selected a sample of PERS retirees who were under the age of 50 and whose outside earnings combined with disability retirement pensions exceeded \$3,500 each month. We found that if Section 21300 of the California Government Code allowed the PERS to apply earning limitations (as allowed for ODR) to IDR benefits to members with earned income, the PERS would save approximately \$1.8 million a year by reducing member pensions for the 214 members included in our sample and a total of \$7.2 million by the time those members reached the age of 50. Our sample did not include individuals who became self-employed after retirement.

Recommendation In response to concerns during the last several years about the increasing costs of IDRs, and in light of the State’s current fiscal crisis, the Legislature should revise Section 21300 of the California Government Code. Section 21300 of the California Government Code should be revised to allow the PERS to apply earning limitations

(which are currently applied to retirees who are receiving ODR benefits and who are earning income) to retirees receiving IDR benefits who are earning income in excess of their preretirement income levels.

We conducted this review under the authority vested in the state auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope of this report.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

Date: October 6, 1994

Staff: Steve Hendrickson, Audit Principal

Appendix Analysis of Industrial Disability Retirement Trends

The Office of the Auditor General (Office) started this audit in 1991 to identify industrial disability retirement (IDR) trends for calendar years 1986 through 1990 for the Public Employees' Retirement System (PERS), the City of Los Angeles Fire and Police Pension Systems (City of Los Angeles), and the San Diego County Employees' Retirement Association (San Diego County). Some of the audit work was completed when the Office closed in 1992. In accordance with the California Government Code, Section 8546.8, the Bureau of State Audits completed the remaining audit work and prepared this report.

To identify IDR trends for calendar years 1986 through 1990, we obtained copies of the disability retirement databases of all disabled retirees from each retirement system included in our review. We then selected a sample of 200 IDRs from the PERS database, a sample of 40 IDRs from the City of Los Angeles database, and 20 IDRs from San Diego County's database. To ensure that the database records were accurate, we compared the database files to the actual IDR case files maintained at the three retirement systems. After we validated the accuracy of the IDR data from each system, we analyzed the data to identify IDR trends for calendar years 1986 through 1990. Our trend analysis focused on the following:

- Average age at retirement;
- Average years of employment at retirement;
- Average IDR monthly benefits paid for members retiring during calendar years 1986 through 1990;
- Percentage of cases with stress as a factor; and
- IDRs as a percent of all retirements.

For average age, average years of employment, and the percentage of cases with stress as a factor, we report on IDR trends based on our selected sample. However, "average IDR monthly benefits" and "percent of IDRs as compared to all retirements" reflect data that represents each system's entire database for IDRs.

**Average Monthly
Benefits Paid
for IDRs**

IDR benefits include the member's pension and annuity. The pension is the employer's contribution, and the annuity is the member's contribution. The average IDR retirement benefit paid for retirees that retired during calendar years 1986 through 1990 for a member of the PERS was \$1,671 a month. For members of the City of Los Angeles, an average of \$2,912 per month in disability benefits was paid, and for San Diego County, an average of \$1,619 per month in disability benefits was paid. Figure 1 presents for each retirement system the average monthly IDR benefits paid each year for retirees that retired during that year for each of the calendar years 1986 through 1990.

Figure 1 Average Monthly IDR Benefits Paid to Individuals Who Retired From the Three Retirement Systems From Calendar Years 1986 Through 1990

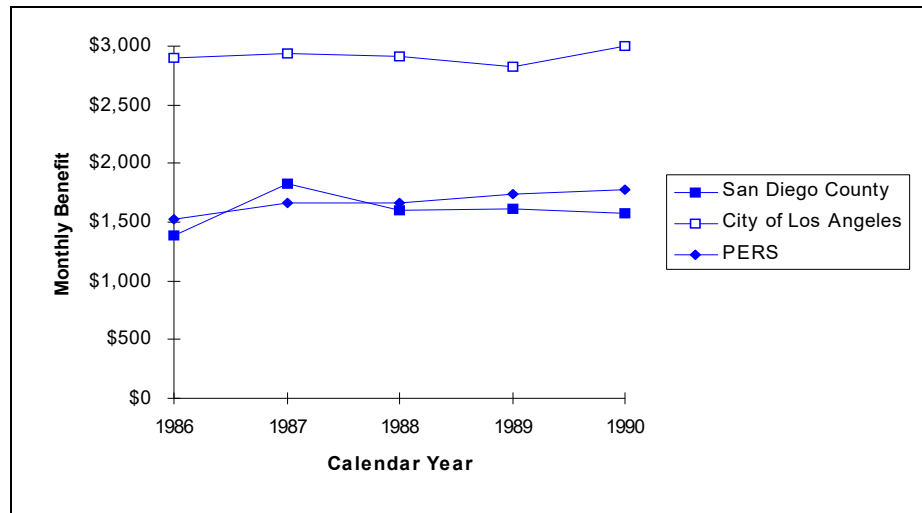


Figure 1 shows that the average monthly benefits for IDRs increased moderately for members that retired in 1986 from members that retired in 1990. For San Diego County, the average monthly benefit for 1986 retirees was \$1,383, which increased to \$1,570 for 1990 retirees, representing a 13 percent increase in IDR benefits. For the City of Los Angeles, average monthly benefits per retiree increased from \$2,895 for 1986 retirees to \$2,996 for 1990 retirees, representing a 3 percent increase in IDR benefits. For the PERS, average monthly benefits per retiree increased from \$1,530 for 1986 retirees to \$1,774 for 1990 retirees, representing a 16 percent increase in IDR benefits.

In our sample, the increase in IDR benefits cannot be attributed to factors such as age of retirement and years of service before retirement because the average age of retirement and years of service remained approximately the same between 1986 and 1990 for PERS retirees. However, we found that the minimal or fluctuating trends resulting in moderate increases in IDR benefits can most likely be attributed to higher salary levels, on which benefits are based, for positions at retirement. Figure 1 also shows that monthly IDR benefits for the PERS and San Diego County are relatively comparable in payment amounts, while IDR benefits for the City of Los Angeles are substantially higher.

**Percentage of IDRs
As Compared to All
Types of
Retirements**

Although the percentage of IDRs as compared to all types of retirements decreased in the City of Los Angeles from fiscal year 1986-87 through 1989-90, the percentage of IDRs at selected PERS departments increased significantly during the same period. The percentage of IDRs in San Diego County, which is maintained on a calendar year basis, fluctuated during calendar years 1986 through 1989. For comparison purposes, our analysis of PERS IDRs was limited to state departments that perform functions similar to the City of Los Angeles Fire and Police Departments' functions. Table 6 presents the percent of IDRs among safety employees for four state departments and the City of Los Angeles Fire and Police Departments.

Table 6 Percent of IDRs As Compared to All Retirements Among Safety Employees at Certain State Departments and at the City of Los Angeles Fire and Police Departments, Fiscal Years 1986-87 Through 1989-90

| Department | Percent of IDRs Among Safety Employees | | | |
|----------------------------|--|------------------------|------------------------|------------------------|
| | Fiscal Year 1986-87 | Fiscal Year 1987-88 | Fiscal Year 1988-89 | Fiscal Year 1989-90 |
| PERS: | | | | |
| California Youth Authority | 32.4% | 37.4% | 40.2% | 57.4% |
| Department of Corrections | 34.6 | 56.8 | 60.8 | 53.2 |
| California Highway Patrol | 67.1 | 79.6 | 72.1 | 73.6 |
| Department of Forestry | 23.2 | 32.6 | 30.0 | 37.0 |
| City of Los Angeles: | | | | |
| Police Department | 22.7 | 27.4 | 18.0 | 15.7 |
| Fire Department | 37.1 | 44.2 | 17.0 | 22.4 |

As Table 6 shows, IDRs as a percent of all retirements among safety employees for the state departments included in our comparison increased, while those at the City of Los Angeles decreased. For example, although IDRs decreased at the City of Los Angeles Fire Department almost 15 percentage points, from about 37 percent in fiscal year 1986-87 to around 22 percent in 1989-90, IDRs at the Department of Forestry increased almost 14 percentage points, from about 23 percent to 37 percent, during the same period. Furthermore, although IDRs decreased at the City of Los Angeles Police Department 7 percentage points, from almost 23 percent in fiscal year 1986-87 to almost 16 percent in 1989-90, IDRs at the California Highway Patrol increased almost 7 percentage points, from about 67 percent to almost 74 percent, during the same period.

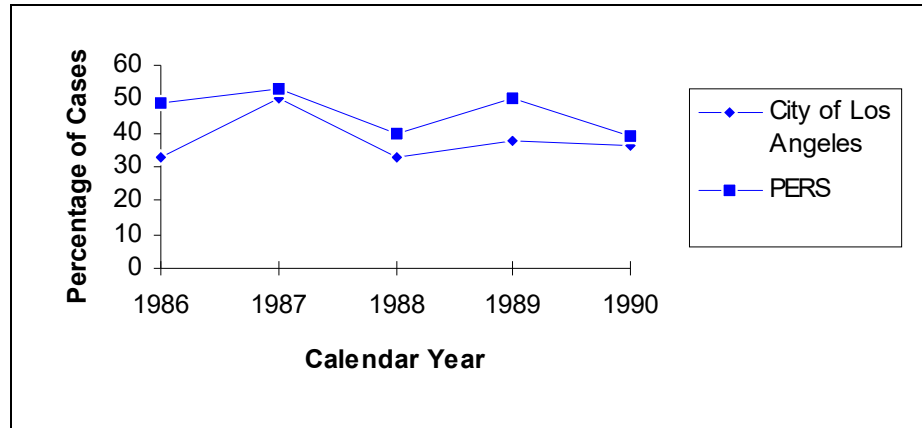
Number of IDR Cases With Stress As a Factor

Although San Diego County considers stress as a primary disabling condition (i.e., it can serve as the primary reason for a disability retirement), the PERS and the City of Los Angeles do not. Instead, the PERS classifies IDRs in the following categories:

- Orthopedic;
- Psychological;
- Cardiovascular;
- Internal;
- Neurological; and
- Other.

We noted the incidence of stress in IDRs in our review of IDR case files. According to our review, the incidence of stress usually falls under the psychological category of industrial disabilities. Other disabilities that fall within the psychological category include severe depression and phobias. In instances where stress was cited, we identified stress as a contributing factor to retirement, not the primary reason. For example, in the City of Los Angeles, a fire fighter retired on the basis of orthopedic and cardiovascular problems, but stress was cited as a contributing factor to his cardiovascular problems. Figure 2 presents the estimated percent of IDR cases with stress cited as a factor in the IDRs of each retirement system.

Figure 2 Percentage of IDRs With Stress As a Factor for Two of the Three Retirement Systems, Calendar Years 1986 Through 1990

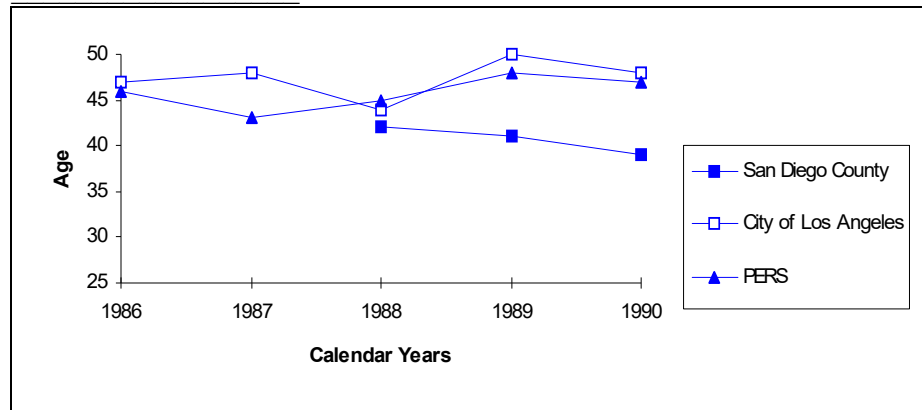


As shown in Figure 2, the percentage of IDRs with stress as a factor increased in calendar years 1987 and again in 1989 in the City of Los Angeles and the PERS. For example, the estimated percentage of cases with stress as a factor in the City of Los Angeles increased from 33 percent in 1986 to 50 percent in 1987. Similarly, the percentage of cases with stress as a factor in the PERS increased from 40 percent in 1988 to 50 percent in 1989. The percentage of IDRs with stress as a factor dropped in 1988 and 1990. Over the five years, we found that the average percentage of cases with stress as a factor in the City of Los Angeles was 38 percent. Stress was estimated as a contributing factor in 46 percent of the PERS disability retirements during the same period.

Average Retirement Age of Members Receiving IDR Benefits

In each of the three retirement systems, members injured as a result of their employment are eligible for IDR benefits, regardless of age or years of service. For each retirement system, Figure 3 shows the average retirement age of members who retired during calendar years 1986 through 1990.

Figure 3 Average Retirement Age of Members Receiving IDR Benefits From the Three Retirement Systems, Calendar Years 1986 Through 1990^a



^a Data for San Diego County for calendar years 1986 and 1987 are not shown because few members in our sample retired during those years.

Figure 3 shows that the average retirement age of IDR members remained relatively the same during calendar years 1986 through 1990. For example, the average age of retirement for IDR retirees of the PERS was 46 in both 1986 and in 1990. Figure 4 also shows that individuals who retired from the City of Los Angeles and received IDR benefits tended to retire at a slightly older age than retirees of the other two systems. Over the five years, we found that the average age of retirement for IDR retirees of the PERS was 46. During that same time, the average age of retirement for the City of Los Angeles retirees was 47. The average age for IDR retirees in San Diego County from 1988 through 1990 was 39.

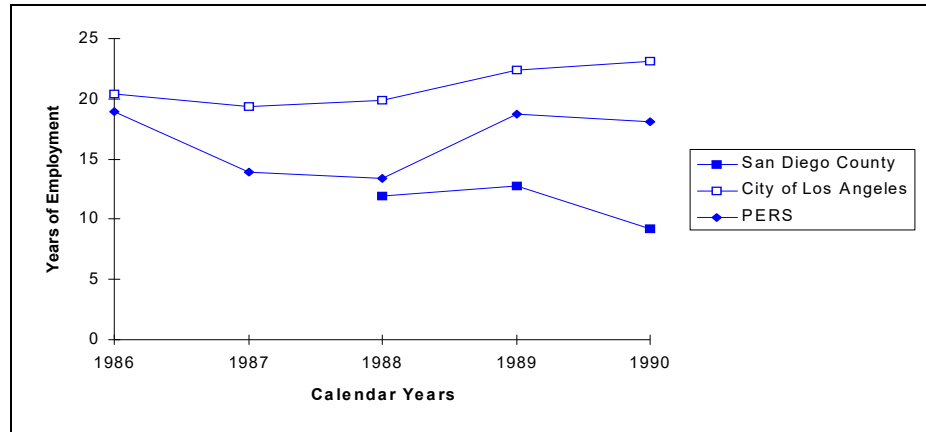
Average Number of Years of Employment Fluctuated for IDR Retirees

Although each of the three retirement systems require members to accumulate a minimum of five years of employment to be eligible for nonservice-related retirement benefits, similar service requirements do not exist to be eligible for IDR benefits. Figure 4 presents the average number of years of employment before retirement for individuals who retired during calendar years 1986 through 1990 and who receive IDR benefits.

Average Number of Years of Employment

Figure 4

**for Retirees for the Three Retirement Systems,
Calendar Years 1986 Through 1990^a**



^a Data for San Diego County for calendar years 1986 and 1987 are not shown because few members in our sample retired during those years.

Figure 4 shows that, with the exception of San Diego County, the average number of years of employment before retirement decreased in 1987, but since that year, the average number of years of employment for two of the three systems has increased. At the PERS, for example, the average number of years of employment for a retiree decreased from almost 19 years in 1986 to less than 14 years in 1987. However, the average number of years of employment increased in all the systems in 1989. In 1990, with the exception of the City of Los Angeles, the figure shows the average number of years of employment decreasing again. We calculated that the average number of years of employment before retirement during the five years was almost 12 years for San Diego County and 21 years for the City of Los Angeles. For the PERS, the average number of years of employment before retirement was almost 17 years.

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