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**REPORT AND RECOMMENDATIONS  
ON DISABILITY BENEFITS  
OF THE  
IOWA PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM**

*Submitted by  
Buck Consultants, Inc.  
June, 1997*

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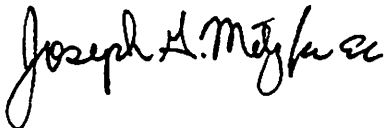
June 9, 1997

Mr. Greg Cusack  
Chief Benefits Officer  
Iowa Public Employees' Retirement System  
600 East Court Avenue  
Des Moines, IA 50309

Dear Greg:

Enclosed are 20 copies of our Report on Recommendations on Disability Benefits of the Iowa Public Employees Retirement System.

Sincerely,



Joseph G. Metz, Ph.D., J.D.  
Principal and Governmental Consultant

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## INTRODUCTION AND EXECUTIVE SUMMARY

We have been asked to address the question of whether or not the IPERS disability benefit provisions are in need of revision. In our previous reports on benefit enhancements, submitted in October, 1995<sup>1</sup> and last month<sup>2</sup>, we addressed the issue. Subsequently, the General Assembly requested that IPERS commission a separate study on disability benefits. As part of this study, a survey of participating employers was conducted by the IPERS staff in order to assess the adequacy of current disability benefits and provide more information about what additional disability benefits are provided to employees by their respective employers. IPERS also provided us with detailed data about the age, years of service at disablement, and monthly benefits provided to its disability retirees. At the outset it should be noted that there are 2,128 disability retirees out of 59,499 IPERS retirees in total.<sup>3</sup>

As part of our study, we were requested to consider the applicability to IPERS of the disability benefits provided by the Public Safety Peace Officers' Retirement, Accident and Disability System (POR) and by the Police Officers and Fire Fighters Retirement System. Each of these Iowa retirement systems provides disability benefits to its membership which are fundamentally different in nature from the IPERS disability program. These systems (covering uniformed forces and public safety officers) provide "ordinary" and "service-connected" disability and death benefits, with the amount of the benefit payable dependent upon whether the disability (or death)

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<sup>1</sup> Report on the Benefit Enhancement Study for Iowa Public Employees' Retirement System.

<sup>2</sup> Report and Recommendations on Enhancements To The IPERS Core Benefit Structure and Supplemental Plans and Features to the Current IPERS Defined Benefit Plan, May, 1997.

<sup>3</sup> Based on IPERS March 1997 payroll.



was the result of a "service-connected" accident or injury. (A somewhat larger benefit is payable where a disability is "service-connected" in origin.) Moreover, the standard for award of the disability benefit, in the case of both ordinary and service-connected disability, is whether the member is mentally or physically incapacitated for the further performance of duty -- irrespective of whether the member is disabled under the definition of disability found in the Federal Social Security disability standard. Evidence of a Social Security disability award is a prerequisite to receiving the IPERS disability benefit. Under the Federal Social Security system, an individual must be found "totally and permanently" disabled to receive disability benefits (see page 8).

The disability benefits provided by the POR and Police Officers and Fire Fighters systems are appropriate for the needs of their respective members. However, we do not recommend that they be applied to IPERS for a number of reasons: among them, the Federal Social Security standard of disability used by IPERS is generally accepted and understood. Moreover, adopting an "ordinary" and "service-connected" standard for disability would add significant complexity to IPERS and would destroy the uniformity and understandability associated with using the Federal Social Security disability standard as a prerequisite for IPERS disability benefits.

At the same time, we believe that the current IPERS disability benefit provides inadequate benefits under certain circumstances. This is particularly so with respect to IPERS members who have less than four years of service when they become disabled and, accordingly, are not entitled

to any disability benefits from IPERS. It is also true of relatively short-service employees, for example, employees with under 15 years of service.

Unless otherwise noted, our recommendations are in conformity with the legal requirements for pension plan qualification applicable to governmental plans under Section 401(a) of the Internal Revenue Code and other applicable provisions.

\* \* \*

In this Report we are recommending that IPERS participating employers be given the option of electing an alternate disability program for their employees. This benefit, equal to a minimum pension of 33-1/3% of final average salary, and subject to coordination with other employer-financed disability benefits and insurance, would be available to all IPERS members whose employer elects to provide such coverage.

The alternate disability benefit would be financed by the participating employer who elected to make the benefit available. Costs would be determined by the IPERS actuary either on an employer-by-employer basis or would be spread among all participating employers who elect the new benefit. A study by the IPERS actuary would be necessary to compare and weigh the costs of the two approaches in order that the most equitable approach could be followed.

We are also recommending that participating employers be authorized to elect a second disability enhancement (in addition to or in lieu of the above benefit). This would provide an enhanced IPERS benefit to disability retirees upon attaining age 65. The benefit -- referred to as a

"superannuated benefit" -- would be calculated by providing IPERS service credit (at the rate of 2% annually) multiplied by years of credited service in IPERS plus years of disablement, to a maximum of 60% of final average salary.

**PART I: OVERVIEW OF IPERS DISABILITY BENEFITS, RELATIONSHIP TO  
FEDERAL SOCIAL SECURITY DISABILITY BENEFITS AND  
WORKERS' COMPENSATION BENEFITS**

IPERS provides disability benefits for its members who are permanently and totally disabled under the Federal Social Security standard, are in receipt of Social Security disability benefits, and have completed 4 or more years of credited service at the time of disablement. The disability benefit is equal to the IPERS service retirement benefit (2% x years of service x final average salary) accrued to date, but with no reduction for receipt thereof prior to normal retirement age. The IPERS disability benefit is not reduced either by Federal Social Security disability benefits or Workers' Compensation benefits that the IPERS disability retiree may also receive.

As previously noted, the amount of the IPERS disability benefit, as well as the service requirement for eligibility (4 years of service) do not differ depending upon whether or not the disability was incurred in the performance of duty (service-connected). The standard for award of disability benefits is that the member be "permanently and totally disabled," as determined by the Social Security Administration. Accordingly, disability benefits are not provided in instances where a member is unable to perform the duties of his or her job unless the member is also found to be permanently and totally disabled

under the Federal Social Security standard. A summary of the current IPERS disability program follows on the next page:

**A. Provisions of the IPERS Disability Program**

1. **Eligibility:** 4 years of service credit; no age requirement; awarded Federal Social Security benefits or Federal Railroad Retirement Act disability benefits due to a disability; *i.e.*, illness, injury, or other similar condition which existed at the time of retirement.
  
2. **Benefit:** Accrued normal benefit with no age reduction (*i.e.*, 2% per year of credited service x final average salary).
  
3. **Offsets:** None.
  
4. **Reemployment (return to covered employment):**

*If under age 55:* Benefit payments are suspended entirely until member subsequently terminates employment, applies for, and is approved to receive retirement benefits.

*If age 55 or older:* Member continues to receive monthly benefit payable on initial retirement date based on member's age at initial retirement date, years of membership service not to exceed 30, and benefit option, and subject to applicable early retirement reductions for early retirement in place at time of initial retirement.

*If under age 65:* Benefit of a member in full-time employment<sup>4</sup> reduced by 50 cents for each dollar the member earns over \$8,640 (for the 1997 calendar year).

5. **Escalation:** Under current law, a member who retired prior to June 30, 1990, would be eligible for an annual dividend, which is calculated as a percentage of the monthly benefit payment the member received for the preceding year, or the most recently received benefit payment, whichever is greater.

Because an award of Federal Social Security disability benefits (or Railroad Retirement Act disability benefits)<sup>5</sup> is a requirement for receiving disability benefits under IPERS, a

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<sup>4</sup> Employment is not full-time employment until a member earns more than \$7,440 for a calendar year, or an amount equal to the amount of remuneration permitted for a calendar year for persons under age 65 before a reduction in Federal Social Security retirement benefits is required (\$8,640 in 1997), whichever is higher.

<sup>5</sup> The Iowa Code references both Federal benefits.

member in receipt of IPERS disability benefits will also receive Federal Social Security disability benefits (or Railroad Retirement Act disability benefits). In addition, if the disability was service-connected, the member may be eligible for Workers' Compensation benefits. Participating employers may also make disability insurance programs available to their employees.<sup>6</sup>

A brief description of Federal Social Security disability benefits and Iowa Workers' Compensation benefits follows.

***B. Social Security Disability Income Benefit***

Federal Social Security disability benefits are available if a worker meets the requirements contained in the following "**Definition of Disability**":

The inability to engage in any substantial gainful activity... by reason of any medically determinable physical or mental impairment...which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A person must not only be unable to do his or her previous work but cannot, considering age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy.<sup>7</sup>

This is a relatively strict definition of disability, with no partial disability available. In some instances, individuals who would be considered unable to perform the duties of their regular occupation would not be considered disabled under this strict definition.

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<sup>6</sup> IPERS has conducted a comprehensive survey in association with this study to determine this coverage. Findings are discussed in part III of this Report.

<sup>7</sup> Section 507 Social Security Handbook 1995, published by Social Security Administration.

In addition, the employee must have a **Disability Insured Status**. This generally requires 20 quarters of coverage in the last 40 quarters, with lower requirements if the employee is less than age 31. This requirement shows recent participation in the workforce. In addition, the employee must be credited with a minimum number of quarters equal to the number of calendar years between the year the employee reached age 21 (or 1950 if later) and the year that the employee became disabled (or attained age 62 if earlier). These quarters need not be in recent employment. Covered employment need not be in the employee's current job.

An employee is eligible for benefits after a five month waiting period if the disability started prior to age 65. The amount of benefit is based on the Social Security Primary Insurance Amount (PIA). The PIA is calculated based on Average Indexed Monthly Earnings (AIME), with historic earnings indexed to two years prior to the period of disability. The earnings are limited to the Social Security Wage Base (\$65,400 in 1997).

The PIA equals:

90% of AIME up to the first bend point (\$455 in 1997)  
plus  
32% of the AIME between the first bend point and the second bend point (\$2,741 in 1997)  
plus  
15% of AIME in excess of the second bend point



The bend points are indexed each year.

If the worker is married, the spouse can receive a benefit of half the worker's PIA. If the worker has dependent children (or grandchildren), each can receive a benefit of half of the worker's PIA. However, the benefits for the worker, spouse and dependent children are all together subject to a family maximum. The monthly maximum family benefit is equal to:

150% of the first \$581 of PIA (1997 level)

plus

272% of the next \$258

plus

134% of the next \$255

plus

175% of PIA above \$1,094

Benefits are automatically indexed with the Consumer Price Index (CPI).

Federal Social Security disability provides a benefit equal to approximately 40% of an employee's salary for an employee whose wage history approximates the Social Security wage base.

Benefits are payable while disability continues, even during rehabilitation training and during trial periods of work (generally nine months). Benefits are not paid to a worker who is in jail, but benefits to his or her spouse and children continue while the employee

is incarcerated. Benefits can be stopped for an employee who refuses vocational rehabilitation.

**C. *Workers' Compensation***

Workers' Compensation covers injuries arising out of and in the course of employment. This is construed quite broadly. For example, off-duty athletics are covered if the employer requested the employee's participation, the employee is compensated for participating, or the employer is sponsoring the activity. The only exceptions to this broad coverage are for injuries solely caused by the employee's intoxication, or by injuries caused by the employee's willful intent to either self-inflict injury or to injure another.

When an injury is covered by the Workers' Compensation system, the employer has to provide certain statutory income and medical benefits to the employee. For computing the weekly Workers' Compensation benefits payable for total disability, a formula -- expressed as a percentage of the employee's wages -- is used. For the State of Iowa, the formula is 80% of "spendable earnings."<sup>8</sup> In most states -- including Iowa -- limitations are placed on the maximum and minimum benefits payable weekly. For the State of Iowa, the minimum weekly payment is the weekly benefit amount of a person whose gross weekly earnings are

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<sup>8</sup> Elected or appointed officials may choose to have their compensation based on their weekly earnings or they may choose to receive compensation equal to 140% of the State Average Weekly Wage.

35% of the State Average Weekly Wage<sup>9</sup> and the maximum weekly payment is 200% of the State Average Weekly Wage.

In addition, states provide separate funds for rehabilitation of disabled workers, income benefits for scheduled injuries, e.g., the loss of a hand, foot, or an eye, and income benefits to an employee's spouse and children in the case of the employee's death.

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<sup>9</sup> The State Average Weekly Wage is \$451.86 in 1996.

## **PART II: PROFILE OF IPERS DISABILITY RETIREES**

The Appendix contains several pie charts and bar graphs illustrating the following:

- distribution of IPERS retirees by type of employer (*i.e.*, state, county, city, township, school, 28E agency, utility);
- distribution of IPERS disability retirees by type of employer (*i.e.*, state, county, city, school, 28E agency, utility -- there are no IPERS disability retirees who were township employees);
- distribution of IPERS disability retirees by age at first meeting eligibility requirements for IPERS disability benefits;
- distribution of IPERS disability retirees by years of service at first meeting eligibility requirements for IPERS disability benefits;
- distribution of IPERS disability retirees by monthly disability benefit;
- comparison of average, age at retirement, years of service at retirement, and monthly benefit of disability retirees to service retirees; and
- percentage of disability retirees who would be affected by our recommendation of a minimum disability benefit of 33-1/3% of final average salary.

From this data, several facts emerge:

- ◇ Out of 59,499 IPERS retirees, there are 2,128 disability retirees.

- ◇ Disability retirees upon first meeting eligibility requirements are somewhat younger on average than service retirees, e.g., the average employee who retires on a disability pension is 57 whereas the average age for all retirees is 63.
- ◇ Disability retirees have somewhat fewer years of service on average than do all retirees, e.g., among disability retirees, the average number of years of service at disablement was 18.07 versus 20.36 years of service for all retirees.
- ◇ The average monthly benefit for disability retirees (\$515.71) is slightly more than the average monthly benefit for all retirees (\$482.97). However, it should be noted that based on the distribution of monthly benefits for disability retirees, most disability retirees are receiving a much smaller benefit (*i.e.*, a relatively small number of disability retirees receiving large pensions are skewing the average).

On the basis of the data supplied to us by IPERS<sup>10</sup>, our recommendation of an alternate disability benefit providing a minimum of 33-1/3% of final average salary would increase benefits for more than half (53.62%) of all current disability retirees.<sup>11</sup> In addition, our recommendation of a second disability enhancement to disability retirees upon attaining age 65 (*i.e.*, providing IPERS service credit at the rate of 2% annually multiplied by years of credited service in IPERS plus years of disablement, to a maximum of 60% of final average salary, would provide a greater

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<sup>10</sup> Based on the IPERS March 1997 payroll.

<sup>11</sup> This is disregarding coordination with other employer-financed disability benefits and insurance. However, since only 19% of all IPERS employers offer long-term disability or other disability income programs for their employees, such coordination might not have a significant effect.

benefit to 88.16% of current retirees when they attain age 65. The average increase in benefit for the affected retirees would be 54.33%

### PART III: RESULTS OF SURVEY OF PARTICIPATING EMPLOYERS ON DISABILITY EXPERIENCE

IPERS disability pension benefits do not exist in a vacuum, that is, IPERS disability retirees may receive disability benefits from other employer-financed programs in addition to their IPERS disability pension. Therefore, in order to make a recommendation for changing the IPERS disability benefit structure, it is useful to determine how many entities in IPERS offer long-term disability insurance or other disability income program to their employees, what kinds of benefits are offered, and how these additional benefits are paid for. In this regard, the IPERS staff has conducted a survey of participating employers about their long-term disability insurance and other disability income programs. Out of almost 2500 IPERS employers, 1398 responded with useable data. Please note that all references to percentages of IPERS employers in this part of the Report refer only to IPERS employers who responded to the survey.

#### A. *Prevalence of Long-Term Disability Insurance or Other Disability Income Programs*

Less than a fifth of IPERS employers (19%) provide long-term disability insurance or other disability income program to their employees. The vast majority of IPERS employers do not provide such benefits, which indicates the importance to total income of the IPERS disability retirement pension. Among the different types of IPERS employers, the greatest prevalence of long-term disability insurance or other disability

income program is among school employers (77%), while county, city, and utility township employers all have a prevalence of such benefits of less than 10%.

**B. *Definition of Disability***

Of the IPERS employers who offer long-term disability insurance or other disability income program to their employees, the most common definition of disability used to determine eligibility for such programs is inability to perform the duties of any occupation (48%), while the next most common definition was the inability to perform the duties of the employee's occupation (41%). Social Security approval, which is the eligibility requirement for an IPERS disability pension, is used by only 6% of IPERS employers for determining eligibility for their additional disability programs.

**C. *Type of Disability Covered***

Of the IPERS employers who offer long-term disability insurance or other disability income program to their employees, almost all (80%) cover both occupational and nonoccupational disabilities. 12% of IPERS employers who offer long-term disability insurance or other disability income program to their employees have programs that only cover occupational disabilities, while 7% have programs that only cover nonoccupational disabilities. However, almost all IPERS employers who offer long-term disability insurance or other disability income program to their employees make no distinction in the amount of benefits offered to a nonoccupational disability versus an occupational



disability. Only 4% offer a higher level of benefits for an occupational disability, while only 2% offer a higher level of benefits for a nonoccupational disability.

**D. *Financing Arrangement***

Almost two-thirds (64%) of IPERS employers who offer long-term disability insurance or other disability income program to their employees pay for such programs out of general operating revenue. Almost one-third (29%) use an insured arrangement. Only 9% of such employers require the employee to pay the entire cost of the programs.

**E. *Amount of Benefit***

The disability income programs of almost all IPERS employers who offer long-term disability insurance or other disability income program to their employees (89%) provide for a benefit based on a fixed percentage of earnings, most commonly 60%, with the next most common percentage being 67%. Almost three-quarters (72%) of the disability income programs offered provide a fixed dollar maximum benefit. However, it should be noted that among programs provided by state employers, none use a fixed dollar maximum -- one half have a varying maximum and the other half have no monthly maximum benefit. There is no general agreement on the amount of the fixed dollar maximum benefit -- the survey revealed fixed dollar maximums in the range of \$1,000 to \$1,500, as well as fixed dollar maximums exceeding \$6,000.

**F. Termination of Benefits**

The largest percentage (45%) of IPERS employers who offer long-term disability insurance or other disability income program to their employees cease such benefits when a recipient attains age 65. It must be noted that another significant percentage of such employers (39%) provide for a varying age for the cessation of such disability benefits. Only 12% of IPERS employers who offer long-term disability insurance or other disability income program to their employees provide such payments for the recipient's lifetime. IPERS pension benefits to disabled employees are paid for such employees' lifetimes. The prevalence of other disability benefits ceasing before a recipient's death indicates the importance of the IPERS disability pension to the overall income of disabled IPERS employees.

**G. Offsets**

Almost two-thirds (65%) of IPERS employers who offer long-term disability insurance or other disability income program to their employees offset such additional disability benefits by the employee's primary Social Security disability benefit. More than half (55%) of IPERS employers who offer long-term disability insurance or other disability income program to their employees reduce such benefits by Workers' Compensation benefits. Other common offsets are for IPERS pension benefits (40%), family Social Security benefits (33%), and Social Security old age benefits (31%). Workers' Compensation insurance is more than twice as likely among these employers to be

offered as a stand alone (non-offset) benefit than as an offset benefit. However, it should be noted that no state employers who offer long-term disability insurance or other disability income program to their employees have Workers' Compensation insurance as a stand alone benefit.

**PART IV. 1995 RECOMMENDATION AND CURRENT RECOMMENDATION****A. Buck 1995 recommendation:**

In our Report on the Benefit Enhancement Study for Iowa Public Employees' Retirement System, dated September 11, 1995, we recommended that the IPERS disability benefit be modified to provide a minimum benefit equal to 33-1/3% of final average salary, coordinated with other employer-financed disability benefits (e.g., Federal Social Security disability benefits and Workers' Compensation benefits) and publicly-financed insurance. We also recommended that the IPERS disability benefit be reduced to the extent that, when added to all other publicly-financed disability benefits and insurance the member is eligible to receive, does not exceed 80% of the member's final average salary. The proposal would also support the IPERS policy goal of providing an 80% level of pre-retirement income replacement. This 80% cap was recommended in recognition of the fact that Federal Social Security disability benefits are exempt from federal income taxation.

In our 1995 Report, we noted that the current IPERS disability benefit may be adequate for some members, for instance, IPERS members who become disabled with 15 or more years of service. (An IPERS member with 15 years of service would receive an IPERS disability benefit of 30% of final average compensation.) However, depending upon the nature of the disability, the benefit may be inadequate for IPERS members who become

disabled with fewer years of service. In many PERS a minimum disability benefit is provided: for example, a retirement allowance equal to 33-1/3% of final average salary.

**B. Current Recommendation**

We are recommending two disability benefit enhancements which may be elected individually or together by IPERS participating employers.

**1. Minimum Disability Benefit**

We recommend that IPERS adopt a minimum disability retirement benefit equal to 33-1/3% of final average salary. The normal service retirement benefit accrued to date, as provided under current IPERS disability law, would be payable if greater. We also recommend that the IPERS COLA program, applicable to service retirees, also be applied to the retirement allowance of disabled employees, regardless of their age.

As explained in our 1995 Report, disability benefits provided by a PERS should be coordinated with Federal Social Security disability benefits and Workers' Compensation benefits also received by a disability retiree. Members of IPERS, we noted, may also be covered by short-term and/or long-term disability insurance made available by their respective public employers. Coordination of all employer-financed disability benefits provided to IPERS members -- IPERS

disability pension, Social Security disability, Workers' Compensation and disability insurance benefits -- to ensure adequacy, avoid duplication and prevent cost-shifting requires a further, in-depth study. In the interim we recommend that in order to avoid duplication of benefits, the new IPERS disability benefits program should be written to provide that the benefit will be reduced to provide that, when added to all other publicly-financed disability benefits and insurance the member is eligible to receive, the total does not exceed 80% of the disabled member's final average salary. As stated above, this will require IPERS to develop administrative procedures to calculate the maximum benefits and reduce the IPERS minimum benefit ( $(33\frac{1}{3}\% \times \text{final average salary})$ ) as required.

As previously stated, a cap of 80% is recommended in recognition of the fact the Federal Social Security disability benefits are exempt from income taxation. Workers' Compensation benefits and IPERS disability benefits may also be exempt from income taxation where the disability was incurred in the performance of duty. In order to coordinate these benefits, we recommend IPERS require a disabled employee to certify to IPERS as to the nature and amount of all disability benefits, from all other sources, as a prerequisite for receipt of IPERS disability benefits. This reporting would provide experience data which could be used to evaluate the adequacy of the IPERS disability program on an ongoing basis.

The additional benefit would be financed by the participating employer who elected to make the benefit available. Costs would be determined either on an employer-by-employer basis by the IPERS actuary, or would be spread among all participating employers who elect the new benefit. A study by the IPERS actuary would be necessary to compare and weigh the costs of the two approaches.

Our recommendation follows in outline form:

**Alternate IPERS Disability Benefit**

**Applicability:** May be elected by IPERS participating employers to apply to their employees. Current employees who are now receiving IPERS disability benefits would continue to receive benefits under the current formula if benefits currently provided are greater than the new alternate benefit. Employees entitled to a greater benefit under the current IPERS disability program would not be covered by the new benefit.

**Benefit Eligibility:** No age or service requirement.

Receipt of Federal Social Security disability benefits is required as under current law.

Benefit Formula: A pension equal to 33-1/3% of final average salary will be provided to all disability retirees subject to the following offset:  
The disability pension (33-1/3% of final average salary) will be reduced, dollar for dollar, to the extent the disability pension plus Federal Social Security disability payments (Primary Insurance Amount), plus Workers' Compensation payments if any, plus employer-financed disability insurance payments, if any, exceed 80% of the disability retiree's final average salary.<sup>12</sup>

COLA: Disability pension to be indexed in the same manner as IPERS service retirement benefit.

Survivor Benefit: Pension equal to 33-1/3% of final average salary payable to surviving spouse, dependent children or dependent parents.

Other Provisions: Other provisions of law applicable to current disability retirees would apply, including reemployment rules (pp. 6-7 ff.).

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<sup>12</sup> IPERS would be required to receive information from each disability retiree in order to calculate whether any reduction is required. This would require additional administration and staff.



Cost of Benefit: Participating employers electing the new benefit will be charged either on an individual employer rate or on a system-wide rate developed by the IPERS actuary (cost of survivor benefits to be paid by electing employer).

The following table illustrates the impact of the minimum disability benefit described above on the current IPERS disabled population.

	Total Number of Disability Retirees	Number of Disability Retirees Affected by Proposed Minimum Benefit	Percentage of Disability Retirees Affected by Proposed Minimum Benefit
State	880	448	50.91%
County	288	150	52.08%
City	276	122	44.20%
Township	0	0	N/A
School	640	265	41.41%
28E Agency	32	19	59.38%
Utility	12	4	33.33%
Total	2128	1008	47.37%

## 2. Superannuated Disability Benefit

Under current law, when an IPERS disability retiree attains age 65, his or her total disability income may be substantially reduced. Workers' Compensation and employer-financed disability insurance may no longer be provided. In instances where the system benefit is relatively low -- due to disablement with relatively short service, and where the member was disabled several years previously, even a minimum benefit equal to 33-1/3% of final average salary may not be adequate.

Accordingly, we are recommending, at the option of the participating employer, a recalculated disability benefit for disability retirees who have attained age 65 equal to 2% times all years of IPERS active service and years of disablement subject to a maximum benefit of 60% of final average salary. In the same manner as the 33-1/3% minimum benefit, the superannuated benefit would also be reduced to provide that, when added to other publicly-financed retirement and/or disability benefits, the benefit could not exceed 80% of the retiree's final average salary. Our recommendation follows in outline form:

**Alternate Superannuated IPERS Disability Benefit**

**Applicability:** May be elected by IPERS participating employers to apply to their employees. Current employees who are now receiving IPERS disability benefits would continue to receive benefits under the current formula if benefits currently provided are greater than the new alternate benefit. Employees entitled to a greater benefit under the current IPERS disability program would not be covered by the new benefit.

**Benefit Eligibility:** Age 65.  
Receipt of Federal Social Security disability benefits is required as under current law.

**Benefit Formula:** A pension equal to 2% of final average salary times all years of service plus years of disablement to age 65 up to 60% of final average salary will be provided to all disability retirees subject to the following offset:

The system disability pension will be reduced, dollar for dollar, to the extent the disability pension plus Federal Social Security disability payments (Primary Insurance Amount), plus Workers'

Compensation payments if any, plus employer-financed disability insurance payments, if any, exceed 80% of the disability retiree's final average salary.<sup>13</sup>

COLA: Disability pension to be indexed in the same manner as IPERS service retirement benefit.

Survivor Benefit: Pension equal to 33-1/3% of final average salary payable to surviving spouse, dependent children or dependent parents.

Other Provisions: Other provisions of law applicable to current disability retirees would apply, including reemployment rules (pp. 6-7 ff.).

Cost of Benefit: Participating employers electing the new benefit will be charged either on an individual employer rate or on a system-wide rate developed by the IPERS actuary (cost of survivor benefits to be paid by electing employer).

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<sup>13</sup> IPERS would be required to receive information from each disability retiree in order to calculate whether any reduction is required. This would require additional administration and staff.

The following tables illustrate the impact of this superannuated benefit on the IPERS disability retiree population, with different caps on the superannuated benefit -- 60%, 55%, 50% and 45% of final average salary:

***Superannuated Disability Benefit – 60% Final Average Salary Cap***

	Total Number of Disability Retirees	Number of Disability Retirees Affected by Superannuated Benefit	Percentage of Disability Retirees Affected by Superannuated Benefit	Average Increase in Disability Benefit
State	880	781	88.75%	61.32%
County	288	263	91.32%	55.67%
City	276	258	93.48%	52.49%
Township	0	0	N/A	N/A
School	640	533	83.28%	44.65%
28E Agency	32	29	90.63%	60.29%
Utility	12	12	100.00%	51.43%
<b>Total</b>	<b>2,128</b>	<b>1,876</b>	<b>88.16%</b>	<b>54.33%</b>

*Superannuated Disability Benefit – 55% Final Average Salary Cap*

	Total Number of Disability Retirees	Number of Disability Retirees Affected by Superannuated Benefit	Percentage of Disability Retirees Affected by Superannuated Benefit	Average Increase in Disability Benefit
State	880	732	83.18%	57.42%
County	288	248	86.11%	52.20%
City	276	235	85.14%	48.57%
Township	0	0	N/A	N/A
School	640	484	75.63%	41.47%
28E Agency	32	27	84.38%	55.43%
Utility	12	11	91.67%	46.79%
Total	2,128	1,737	81.63%	50.68%

*Superannuated Disability Benefit -- 50% Final Average Salary Cap*

	Total Number of Disability Retirees	Number of Disability Retirees Affected by Superannuated Benefit	Percentage of Disability Retirees Affected by Superannuated Benefit	Average Increase in Disability Benefit
State	880	684	77.73%	52.53%
County	288	234	81.25%	47.58%
City	276	212	76.81%	43.97%
Township	0	0	N/A	N/A
School	640	434	67.81%	37.76%
28E Agency	32	26	81.25%	50.25%
Utility	12	10	83.33%	41.53%
Total	2,128	1,600	75.19%	46.21%

*Superannuated Disability Benefit – 45% Final Average Salary Cap*

	Total Number of Disability Retirees	Number of Disability Retirees Affected by Superannuated Benefit	Percentage of Disability Retirees Affected by Superannuated Benefit	Average Increase in Disability Benefit
State	880	624	70.91%	46.62%
County	288	218	75.69%	42.09%
City	276	189	68.48%	38.14%
Township	0	0	N/A	N/A
School	640	389	60.78%	33.33%
28E Agency	32	25	78.13%	44.41%
Utility	12	10	83.33%	34.50%
Total	2,128	1,455	68.37%	40.84%



**PART V. COMPARISON OF IPERS DISABILITY BENEFITS WITH THOSE OF OTHER PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)**

**A. Overview**

Public employee retirement systems (PERS) generally provide for service retirement with full benefits at a specified age; e.g., age 62 or 65. IPERS follows this practice, although full benefits may be provided if a member attains age 55 and the member's age plus service equals 88. Disability benefits normally do not have age requirements, but may require a certain number of years of service, particularly the non-service connected disability benefits.

In some PERS, disability benefits are provided for an employee who is unable to perform the duties of his or her job. This is referred to as "occupational" disability. About half of the large public systems provide occupational disability retirement, including the Iowa Public Safety Officers Retirement, Accident, and Disability System (POR) and the Iowa Retirement System for Police Officers and Fire Fighters (the "Police and Fire Fighters System"). The remaining statewide PERS require that an employee must be unable to carry out the activities of any job for which the person might reasonably be qualified in order to be granted disability retirement. This is a "total" disability standard, which is the standard followed by IPERS.

Another distinguishing feature of public employee disability benefits is that they often provide a more generous level of benefits if disability occurs in the "line of duty" or in the "performance of duty." While POR and the Police and Fire Fighters System follow this pattern, IPERS does not.

Looking at public pension plans on a nationwide basis, therefore, there are two kinds of disability benefits are provided:

(i) occupational disability, which requires that an employee must be found to be permanently disabled for the performance of duties, irrespective of whether the disability is total or partial, in order to qualify for the benefit;

and

(ii) total disability, generally requiring that an employee must be found to be permanently and totally disabled and unable to engage in any gainful employment.

***B. General Features of Public Employee Disability Programs Throughout the U.S.***

In instances where public employee disability programs use the "occupational" definition of disability, a member not only must be found to initially meet eligibility requirements but, in some systems, must also show evidence of continuing disability to remain eligible for this benefit. Many PERS routinely require periodic physical reexaminations in order to verify continuing eligibility. Some PERS do this every year or two, except where a disability is clearly permanent. In addition to periodically ascertaining the continuance of disability,

PERS monitor outside earnings of disability retirees where there are statutory earnings limitations in place. For example, retirees may be required to provide copies of income tax returns annually.

As noted above, many public pension systems provide a greater benefit where disability occurs in the "line of duty." The amount of the benefit not only may be greater but also may be available earlier. For example, an employee may be eligible for a line-of-duty disability benefit any time after employment commences, whereas he/she may be required to have 5 or 10 years of service before being eligible for a non line-of-duty disability benefit. This is not the practice in IPERS, which has a 4 years of service requirement for both ordinary disability and service-connected disability. Both the POR and the Police and Fire Fighters System have no service requirement, while the TIAA/CREF Retirement System provides a benefit after only 1 year of service.

In many PERS the amount of the disability retirement allowance -- especially that of a service-connected disability allowance -- is greater than the service retirement allowance a disabled employee would be entitled to receive had he or she retired due to service at the same age. This is not the pattern in IPERS, although it is the pattern in POR and the Police and Fire Fighters System. The underlying reason for disability benefits being generally greater is the recognition that a disabled employee, especially if injured in the line of duty, should be provided with a disability retirement benefit that will replace his or her pre-

disability retirement take home pay. In other words, there is a public policy in some jurisdictions to make a disability retiree whole. While total benefits initially may equal or somewhat exceed pre-retirement take home pay -- largely due to the fact that benefits are tax-free on the Federal level -- purchasing power may be lost over a period of years due to the impact of inflation. For example, an increase in the cost-of-living of 5% a year will reduce a half-pay disability pension to 19% of "final average salary" over a 20 year period. Our research shows that most public plans, like IPERS, provide some degree of protection to disability as well as service retirees in the form of cost-of-living adjustments.

In summary, looking at disability benefits in public plans across the nation, a pattern emerges:

- Service-connected disability benefits are generally greater than ordinary (*i.e.*, non-service-connected) disability benefits; for example, service-connected disability benefits may equal 50%, 66-2/3% or 75% of final average salary whereas ordinary disability benefits may equal the accrued (service retirement) benefit without actuarial reduction or may provide a minimum benefit, for example, equal to 33-1/3% or 50% of final average salary. While the level of disability benefits provided in the public sector -- especially the service-connected disability benefit -- may, on first consideration, appear to be too generous, there is a policy reason for the benefits; namely, where a public employee is disabled in the line of duty it is

recognized in some jurisdictions that a benefit should provide total retirement income equal to the disabled employee's after-tax pre-retirement take home pay.

- Under disability benefit formulas – service-connected and ordinary, the retirement system benefit may be reduced by benefits received from Federal Social Security or Workers' Compensation, or both. This, too, is the practice in some of the Iowa retirement systems, but not in IPERS. In POR and the Police and Fire Fighters System, both the ordinary disability retirement benefit and the service-connected disability retirement benefit are reduced by Workers' Compensation benefits.

**C. *Comparison of Key Features of IPERS to Iowa Regional PERS***

**1. *Comparison of IPERS Disability Benefits to Other Iowa Public Plans***

We have been requested to compare IPERS disability benefits, particularly to the disability benefits offered under POR and the Police and Fire Fighters System. A brief description of the eligibility requirements and benefits available under these other Iowa systems follows. Administrative features are also outlined.

a. Benefits

Peace Officers' Retirement Accident and Disability System (POR) and Retirement System for Police Officers and Fire Fighters	PERS
<p><u>Ordinary Disability</u></p> <p>Any age or service</p> <p>Medical Board certifies that the member is physically or mentally incapacitated for further performance of duty, such incapacity is likely to be permanent; provided, however, if a person's membership first commenced on or after July 1, 1992, such person shall not be eligible for benefits with respect to a disability which would not exist, but for a medical condition that was known to exist on the date that membership commenced.</p> <p>if less than 5 years of membership service: 1/4 x average final compensation<sup>14</sup></p> <p>5 - 22 years of membership service: 1/2 x average final compensation</p> <p>22 or more years of membership service: 1/2 x average final compensation or, if greater, the service retirement benefit the member would receive if he or she was age 55</p> <p>Offsets: Workers' Compensation Benefits</p> <p><u>Service-connected Disability</u></p>	<p><u>Disability (covers both ordinary and service-connected)</u></p> <p>4 years of service</p> <p>Awarded Federal Social Security or Federal Railroad Retirement Act disability benefits due to a disability which existed at the time of retirement</p> <p>Accrued normal benefit with no age reduction</p> <p>Offsets: None</p>

<sup>14</sup> Final average compensation is based on highest 3 years of salary.

Peace Officers' Retirement, Accident and Disability System (POR) and Retirement System for Police Officers and Fire Fighters	PERS
<p>No age or service requirement</p> <p>Totally and permanently incapacitated for duty as natural and proximate result of an injury, disease or exposure occurring or aggravated while in the actual performance of duty at some definite place and time; need medical board certification; person who first became a member on or after July 1, 1992 is not eligible with respect to a disability which would not exist, but for a medical condition that was known to exist on the date membership commenced.</p> <p>less than 22 years of membership service: 60% x average final compensation</p> <p>22 or more years of membership service: 60% x average final compensation or, if greater, the service retirement benefit the member would receive if he or she was age 55</p> <p><b>Offsets:</b> Workers' Compensation benefits</p> <p><b>Reemployment:</b></p> <ul style="list-style-type: none"> <li>• if 55 or over and would have completed 22 years of service if remained in active service: No effect</li> <li>• otherwise: total of disability benefit and earnings may not exceed 1½ x earnable compensation of an active member at same position on salary scale within member's rank as member held at retirement</li> <li>• If under age 55 and restored to active service: disability benefit ceases</li> </ul>	<p><b>Offsets:</b> None</p> <p><b>Reemployment:</b></p> <ul style="list-style-type: none"> <li>• if 55 or over: continue to receive monthly benefit payable on initial retirement date based on age at initial retirement date, years of service not to exceed 30, and subject to early retirement reduction in place at time of initial retirement</li> <li>• if under age 55: disability benefit ceases</li> </ul> <p><b>Escalation:</b></p> <p>A member who retired prior to June 30, 1990 is eligible for an annual dividend, which is calculated as a percentage of the monthly benefit payment the member received for the preceding years, or the</p>

Peace Officers' Retirement Accident and Disability System (POR) and Retirement System for Police Officers and Fire Fighters	PERS
<p><b>Escalation:</b>  <u>POR</u>  Semi-Annual (January 1 and July 1)  increases equal to:</p> <p>monthly compensation payable to active member of same rank and position on salary scale at time of member's retirement for month in which the adjustment is made minus monthly compensation payable to active member of same rank and position on salary scale at time of member's retirement for month in which last preceding adjustment made;</p> <p>multiplied by</p> <p><u>Ordinary Disability:</u></p> <p>25% (30% effective July 1, 1996) for members with 5 or more years of membership service if retirement occurs on or after July 1, 1990;</p> <p>30% for members with more than five years of service if retirement occurred before July 1, 1990</p> <p>12½% (15% effective July 1, 1996) for members with less than 5 years of membership service if retirement occurs on or after July 1, 1990</p> <p>15% for members with less than 5 years of membership service if retirement occurred before July 1, 1990</p> <p><u>Accidental Disability:</u> 33-1/3%</p>	<p>most recently received benefit payment, whichever is greater.</p>



Peace Officers' Retirement Accident and Disability System (POR) and Retirement System for Police Officers and Fire Fighters	PERS
<p><u>Police Officers and Fire Fighters</u></p> <p><i>Prior to July 1, 1997</i></p> <p>Semi-Annual (January 1 and July 1) increases equal to:</p> <p>monthly compensation payable to active member of same rank and position on salary scale at time of member's retirement for month in which the adjustment is made minus monthly compensation payable to active member of same rank and position on salary scale at time of member's retirement for month in which last preceding adjustment made;</p> <p>multiplied by</p> <p><u>Ordinary Disability:</u></p> <p>25% for members with 5 or more years of membership service if retirement occurs on or after July 1, 1990;</p> <p>30% for members with more than five years of service if retirement occurred before July 1, 1990</p> <p>12½% for members with less than 5 years of membership service if retirement occurs on or after July 1, 1990</p> <p>15% for members with less than 5 years of membership service if retirement occurred before July 1, 1990</p> <p><u>Accidental Disability:</u> 33-1/3%</p>	

Peace Officers' Retirement Accident and Disability System (POR) and Retirement System for Police Officers and Fire Fighters	IPERS
<p><i>On and After July 1, 1997</i></p> <p>Annual increases (each July 1) equal to 1.5% over the previous year's pension amount.</p>	

b. Administrative Processing

We have also been asked to consider the administrative procedures of the other Iowa public employee retirement systems (POR and the Police and Fire Fighters System) with an eye to how their disability provisions might apply to IPERS. For this reason, we are including the following analysis of practices and procedures as drawn from the Iowa Code. In general, because IPERS is tied to the Federal Social Security disability standard, IPERS is not required to administer its own disability benefits program with the same complexity as do POR and the Police and Fire Fighters System

	POR	POLICE AND FIRE FIGHTERS SYSTEM
<i>FILING</i>	Usually member files application, but commissioner of public safety may file	Usually filed by member, but chief of applicable police or fire department may file
<i>CONTINUATION OF PAY PRIOR TO MEDICAL EXAM</i>	<p><u>Ordinary Disability</u> None</p> <p><u>Service-connected Disability</u> If member found to be temporarily incapacitated following exam by Board of Trustees, member receives his/her fixed pay and allowances until reexamined by Board of Trustees and</p>	<p><u>Ordinary Disability</u> None</p> <p><u>Service-connected Disability</u> If member found to be temporarily incapacitated following medical exam as directed by the city, member receives his/her full pay and allowances from city's general fund until reexamined as</p>

	found to be fully recovered or permanently disabled	directed by the city and found to be fully recovered or until the city determines that the member is likely to be permanently disabled <sup>15</sup>
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	POR	POLICE AND FIRE FIGHTERS SYSTEM
<b>REEXAMINATION AND RETIREMENT</b>	<p>POR may require medical exam once each year during the first five years and once in every three-year period thereafter, in place designated by the medical board and conducted by the medical board or in special cases, by a physician or physicians designated by the medical board.</p> <p>If member refuses to submit to medical exam, member's disability benefit may be discontinued until refusal withdrawn; if refusal continues for one year the disability benefit may be forfeited.</p>	<p>System may require medical exam once each year during the first five years and once in every three-year period thereafter, in place designated by the medical board and conducted by the medical board or in special cases, by a physician or physicians designated by the medical board.</p> <p>If member refuses to submit to medical exam, member's disability benefit may be discontinued until refusal withdrawn; if refusal continues for one year the disability benefit may be forfeited.</p>

<sup>15</sup> The Board of Trustees of the statewide system has no jurisdiction over these matters until the city determines that the disability is likely to be permanent.

## PART VI. RECOMMENDATION FOR MODIFICATION OF THE IPERS ACCIDENTAL DEATH BENEFIT

In our May, 1997 Report on Benefit Enhancements to the IPERS Core Benefit Structure, we indicated that in our subsequent Report on Disability Benefits we would also make a recommendation with respect to IPERS Accidental Death Benefits. We again support our 1995 recommendation which follows:

Modify the Death Benefit to provide that where death is the result of an accident incurred in the performance of duty, the regular death benefit will be payable, or, alternatively, a survivor pension equal to 50% of final average salary payable to a surviving spouse, dependent children or dependent parents. The service-connected death benefit would be reduced by survivor benefits received under Social Security, Workers' Compensation or other employer-financed insurance benefits where total benefits exceed 80% of final average salary. The benefit would be payable only to a surviving spouse, dependent children or dependent parents. The benefit would be automatically indexed under the new COLA program.

As in our disability recommendation, we recommend that participating employers be permitted to elect this benefit and be required to pay the additional employer contribution required to fund this benefit.

# **APPENDIX I**

## **COMPARISON OF IPERS DISABILITY BENEFITS TO REGIONAL PERS**

In our 1995 Report, we compared IPERS benefits to those in regional PERS. When compared to statewide PERS disability benefits on a regional basis, IPERS provides a disability program which is in the middle range of these programs when measured in terms of eligibility for the benefit and benefit level. Several regional PERS provide similar or lower disability benefits, including Arkansas, Minnesota, Nebraska and Oklahoma. Greater disability benefits are provided by Illinois, Missouri and Wisconsin.

The regional PERS we have examined generally do not provide an appropriate standard for determining disability. As presented in this Report, an appropriate standard is based on receipt on Social Security disability benefits, integration with other employer-financed benefits and provision for minimum benefits for relatively short-service employees who become totally and permanently disabled.

**Comparison Of Key Features Of IPERS Disability Benefits  
To Regional PERS**

<b>REGIONAL PERS</b>	<b>IPERS</b>
<p><b>A. <u>Arkansas Public Employees Retirement System</u></b></p> <p><i><u>Disability</u></i></p> <p>10 years of service</p> <p>Accrued normal benefit with no age reduction</p>	<p><i><u>Disability</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>

**B. State Employees' Retirement System of Illinois**

**Ordinary Disability**

1.5 years of service

50% of current salary less Social Security to age 65. After age 65 projected retirement benefit.

**Service-connected Disability**

Any age or service

75% of current salary less Workers' Compensation to age 65. After age 65 projected retirement benefit.

**Disability (covers both ordinary and service-connected)**

4 years of service

Accrued normal benefit with no age reduction

**C. Kansas Public Employees' Retirement System**

**Disability**

Any age or service

66.67% of current salary less Social Security and 50% of Worker's Compensation to age 65. After age 65 projected retirement benefit.

**Disability**

4 years of service

Accrued normal benefit with no age reduction

REGIONAL PERS	IPERS
<p><b>D. <u>Minnesota Public Employees' Retirement System</u></b></p> <p><i><u>Disability</u></i></p> <p>3 years of service</p> <p>Accrued normal benefit less Workers' Compensation</p>	<p><i><u>Disability</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>E. <u>Minnesota State Retirement System</u></b></p> <p><i><u>Disability</u></i></p> <p>3 years of service</p> <p>Accrued normal benefit with no age reduction</p>	<p><i><u>Disability</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>F. <u>Missouri State Employees' Retirement System</u></b></p> <p><i><u>Disability</u></i></p> <p>Any age or service</p> <p>60% of monthly salary less Social Security and Workers' Compensation to age 65. After age 65 projected retirement benefit</p>	<p><i><u>Disability</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>



REGIONAL PERS	IPERS
<p><b>G. <u>Missouri Local Government Employees' Retirement System</u></b></p> <p><u>Ordinary Disability</u></p> <p>5 years of service</p> <p>Accrued normal retirement benefit with no age reduction</p> <p><u>Service-connected Disability</u></p> <p>Any age or service</p> <p>Accrued normal retirement benefit with no age reduction</p>	<p><u>Disability</u> (covers both ordinary and service-connected)</p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>H. <u>Nebraska Public Employees' Retirement System - Defined Contribution Plan - State Employees</u></b></p> <p><u>Disability</u></p> <p>1 year of service</p> <p>Annuity equivalent of account balance</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>I. <u>Nebraska Public Employees' Retirement System - Defined Contribution Plan - County Employees</u></b></p> <p><u>Disability</u></p> <p>1 year of service</p> <p>Annuity equivalent of account balance</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>

REGIONAL PERS	IPERS
<p><b>J. <u>Oklahoma Public Employees' Retirement System</u></b></p> <p><i><u>Disability</u></i></p> <p>8 years of service</p> <p>Accrued normal benefit with no age reduction</p>	<p><i><u>Disability</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>K. <u>South Dakota Employees Retirement System</u></b></p> <p><i><u>Ordinary Disability</u></i></p> <p>3 years of service</p> <p>50% of highest salary in 3 previous years plus 10% for each child under 18 less Social Security less Workers' Compensation to age 65. After age 65 projected retirement benefit.</p> <p><i><u>Service-connected Disability</u></i></p> <p>Any age or service</p> <p>50% of highest salary in 3 previous years plus 10% for each child under 18 less Social Security less Workers' Compensation to age 65. After age 65 projected retirement benefit.</p>	<p><i><u>Disability (covers both ordinary and service-connected)</u></i></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>

**L. Wisconsin Retirement System**

**Ordinary Disability**

5 years of service

Normal benefit based on current salary and service at age 65 with age reduction

**Service-connected Disability**

Any age or service

Normal benefit based on current salary and service at age 65 with age reduction

**Disability (covers both ordinary and service-connected)**

4 years of service

Accrued normal benefit with no age reduction

Comparison of Key Features of IPERS Disability Benefits to Regional Education/Teacher PERS

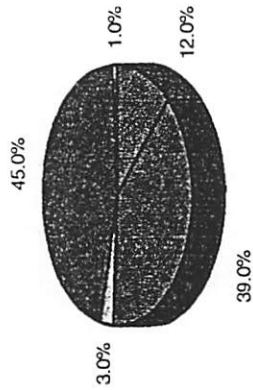
<b>PERS</b>	<b>IPERS</b>
<p><b>A. <u>Arkansas Teachers' Retirement System</u></b></p> <p><u>Disability</u></p> <p>10 years of service</p> <p>Accrued normal benefit with no reduction for early commencement</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>B. <u>Illinois State Teachers' Retirement System</u></b></p> <p><u>Ordinary Disability</u></p> <p>3 years of service</p> <p>40% of salary</p> <p>Permanent: 35% of salary/potentially higher if retirement formula allows</p> <p><u>Service-connected Disability</u></p> <p>Any age or service</p> <p>60% of salary</p>	<p><u>Disability (covers both ordinary and service-connected)</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b>C. <u>Minnesota Teachers Retirement System</u></b></p> <p><u>Disability</u></p> <p>3 years of service</p> <p>Total and permanent disability benefit</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>

PERS	IPERS
<p><b><u>D. Public School Employees Retirement System of Missouri</u></b></p> <p><u>Ordinary Disability</u></p> <p>5 years of service</p> <p>50% of salary or 90% of accrued normal benefit (at age 60) with no age reduction</p> <p><u>Service-connected Disability</u></p> <p>1 year of service</p> <p>50% of salary or 90% of accrued normal benefit (at age 60) with no age reduction</p>	<p><u>Disability</u> (covers both ordinary and service-connected)</p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b><u>E. Non-Teacher School Employees' Retirement System of Missouri</u></b></p> <p><u>Disability</u></p> <p>5 years of service</p> <p>90% of accrued normal benefit with no age reduction</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b><u>F. Nebraska Public Employees Retirement System - School Plan</u></b></p> <p><u>Disability</u></p> <p>6 months of service</p> <p>Accrued normal benefit with no age reduction</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>
<p><b><u>G. Oklahoma Teachers' Retirement System</u></b></p> <p><u>Disability</u></p> <p>10 years of service</p> <p>Accrued normal benefit with no age reduction</p>	<p><u>Disability</u></p> <p>4 years of service</p> <p>Accrued normal benefit with no age reduction</p>

## **APPENDIX II**

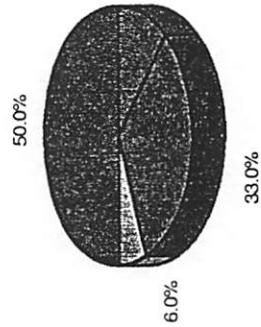
### **RESULTS OF SURVEY OF IPERS PARTICIPATING EMPLOYERS**

# Indicate the Age at Which Disability Insurance Terminates



**Total**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime



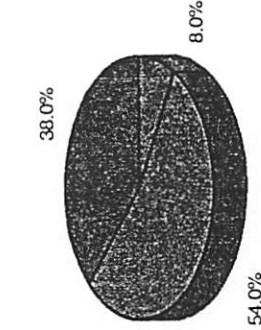
**City**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime



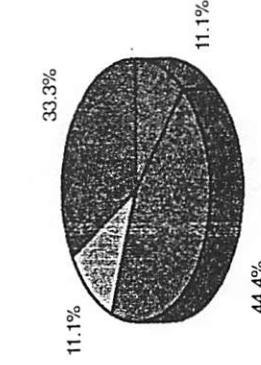
**State**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime



**28E Agency**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime



**County**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime

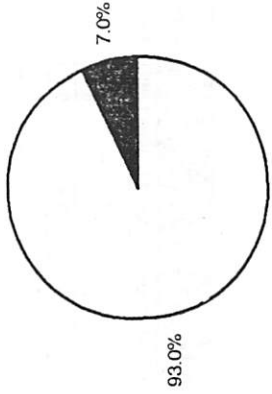
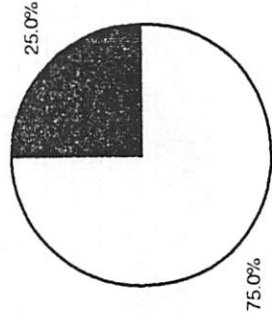
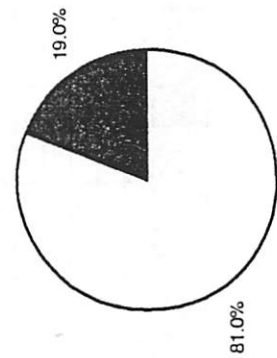
**School**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime

**Utility**

Age 60 
  Age 65 
  Age 70 
  Varies 
  Lifetime

# Does Your Agency Provide Long-Term Disability Insurance or Other Disability Income Program to Employees?



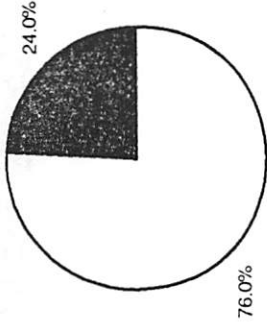
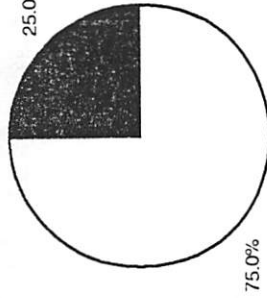
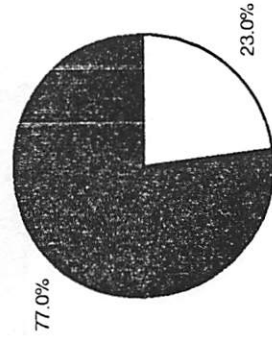
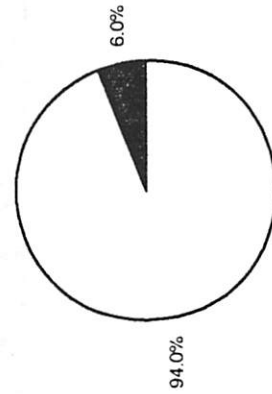
Total

Yes  No

State

Yes  No

County



City

Yes  No

School

28E Agency

Yes  No

Utility



IPERS DISABILITY SURVEY

Does your agency provide long-term disability insurance or other disability income program to employees?	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Yes	266	19%	3	25%	17	7%	48	6%	0	0%	175	77%	14	25%	9
No	1128	81%	9	75%	243	93%	740	94%	13	100%	52	23%	42	75%	29	76%
Total	1394	100%	12	100%	260	100%	788	100%	13	100%	227	100%	56	100%	38	100%

Indicate the definition of disability.	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Own occupation	101	41%	2	67%	7	44%	10	23%	0	N/A	74	46%	5	36%	3	38%
Any occupation	119	48%	2	67%	7	44%	34	77%	0	N/A	60	37%	8	57%	8	100%
Job specific	20	8%	0	0%	2	13%	5	11%	0	N/A	13	8%	0	0%	0	0%
Social Security approval	14	6%	0	0%	0	0%	3	7%	0	N/A	11	7%	0	0%	0	0%
Other	35	14%	0	0%	2	13%	5	11%	0	N/A	27	17%	1	7%	0	0%
Own Occupation for N years, then any occupation	20	8%	1	33%	1	6%	4	9%	0	N/A	11	7%	0	0%	3	38%
Total*	246		3		16		44		0		161		14		8	

\*Respondents were permitted to select more than one item

Indicate the financing arrangement:	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
General operating revenue	162	64%	2	67%	5	31%	33	77%	0	N/A	106	63%	10	77%	6	38%
Employee pays all	23	9%	0	0%	3	19%	1	2%	0	N/A	19	11%	0	0%	0	100%
Funds set aside through legislative budget	6	2%	1	33%	0	0%	1	2%	0	N/A	3	2%	0	0%	1	0%
Insured arrangement	74	29%	2	67%	10	63%	8	19%	0	N/A	48	28%	3	23%	3	0%
Funds held in separate trust/account	7	3%	0	0%	0	0%	2	5%	0	N/A	5	3%	0	0%	0	0%
<b>Total*</b>	<b>253</b>		<b>3</b>		<b>16</b>		<b>43</b>		<b>0</b>		<b>169</b>		<b>13</b>		<b>9</b>	<b>38%</b>

\*Respondents were permitted to select more than one item

Indicate your long-term disability benefit:	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Fiat dollar amount	10	4%	0	0%	0	0%	6	14%	0	N/A	3	2%	0	0%	1	13%
Percent of earnings varies	11	4%	1	33%	1	6%	3	7%	0	N/A	6	4%	0	0%	0	0%
Benefit varies during disability	1	0%	0	0%	1	6%	0	0%	0	N/A	0	0%	0	0%	0	0%
Other	5	2%	0	0%	0	0%	0	0%	0	N/A	5	3%	0	0%	0	0%
Fixed percentage of earnings	220	89%	2	67%	14	88%	35	80%	0	N/A	149	91%	13	100%	7	88%
<b>Total</b>	<b>247</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>16</b>	<b>100%</b>	<b>44</b>	<b>100%</b>	<b>0</b>	<b>N/A</b>	<b>163</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>8</b>	<b>100%</b>

Total percentage may not equal 100% due to rounding.

If your long-term disability benefit is based on a fixed percentage of earnings, What is the percentage?	Total		State		County		City		Township		School		2BE Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	40 percent	1	0%	0	0%	0	0%	0	0%	0	N/A	1	1%	0	0%	0
50 percent	3	1%	0	0%	1	7%	0	0%	0	N/A	2	1%	0	0%	0	0%
55 percent	1	0%	0	0%	0	0%	0	0%	0	N/A	1	1%	0	0%	0	0%
60 percent	154	71%	1	50%	9	64%	27	79%	0	N/A	102	69%	10	77%	5	71%
66 percent	2	1%	0	0%	0	0%	0	0%	0	N/A	2	1%	0	0%	0	0%
67 percent	44	20%	1	50%	3	21%	5	15%	0	N/A	31	21%	2	15%	2	29%
70 percent	11	5%	0	0%	1	7%	2	6%	0	N/A	7	5%	1	8%	0	0%
75 percent	1	0%	0	0%	0	0%	0	0%	0	N/A	1	1%	0	0%	0	0%
90 percent	1	0%	0	0%	0	0%	0	0%	0	N/A	1	1%	0	0%	0	0%
Total	218	100%	2	100%	14	100%	34	100%	0	N/A	148	100%	13	100%	7	100%

Indicate your long-term disability maximum monthly benefit:	Total		State		County		City		Township		School		2BE Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Fixed dollar maximum	166	72%	0	0%	12	86%	22	56%	0	N/A	117	75%	10	77%	5
Maximum varies	10	4%	1	50%	1	7%	3	8%	0	N/A	4	3%	0	0%	1	17%
No monthly maximum	49	21%	1	50%	1	7%	13	33%	0	N/A	31	20%	3	23%	0	0%
Other	5	2%	0	0%	0	0%	1	3%	0	N/A	4	3%	0	0%	0	0%
Total	230	100%	2	100%	14	100%	39	100%	0	N/A	156	100%	13	100%	6	100%

If your monthly maximum is a fixed dollar amount, what is the amount?	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
\$1000-1500	0	N/A	0	0%	3	14%	0	N/A	9	8%	0	0%	0	0%	12	7%
\$1501-2000	0	N/A	2	17%	3	14%	0	N/A	17	15%	3	30%	1	20%	26	16%
\$2001-2500	0	N/A	2	17%	5	23%	0	N/A	12	10%	2	20%	1	20%	22	13%
\$2501-3000	0	N/A	4	33%	3	14%	0	N/A	17	15%	0	0%	0	0%	24	14%
\$3001-3500	0	N/A	0	0%	1	5%	0	N/A	12	10%	0	0%	0	0%	13	8%
\$3501-4000	0	N/A	0	0%	1	5%	0	N/A	9	8%	0	0%	1	20%	11	7%
\$4001-4500	0	N/A	1	8%	0	0%	0	N/A	3	3%	0	0%	0	0%	4	2%
\$4501-5000	0	N/A	2	17%	4	18%	0	N/A	32	27%	3	30%	1	20%	42	25%
\$5001-5500	0	N/A	0	0%	0	0%	0	N/A	0	0%	0	0%	0	0%	0	0%
\$5501- 6000	0	N/A	0	0%	2	9%	0	N/A	5	4%	1	10%	0	0%	8	5%
Over \$6000	0	N/A	1	8%	0	0%	0	N/A	1	1%	1	10%	1	20%	4	2%
Total	0	N/A	12	100%	22	100%	0	N/A	117	100%	10	100%	5	100%	166	100%

Please indicate the age at which disability insurance terminates.	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age 60	3	1%	0	0%	0	0%	0	0%	0	N/A	3	2%	0	0%	0	0%
Age 65	92	45%	0	0%	3	30%	18	50%	0	N/A	63	47%	5	38%	3	33%
Age 70	6	3%	0	0%	0	0%	2	6%	0	N/A	3	2%	0	0%	1	11%
Varies	79	39%	0	0%	4	40%	12	33%	0	N/A	52	39%	7	54%	4	44%
Lifetime	24	12%	1	100%	3	30%	4	11%	0	N/A	14	10%	1	8%	1	11%
Total	204	100%	1	100%	10	100%	36	100%	0	N/A	135	100%	13	100%	9	100%



Indicate what other benefits/income are offset against the LTD benefit.	Total		State		County		City		Township		School		20E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Primary Social Security disability benefit	167	65%	3	100%	10	63%	31	63%	0	N/A	105	63%	11	79%	7
Family Social Security disability benefit	84	33%	1	33%	4	25%	14	29%	0	N/A	54	33%	6	43%	5	63%
Social Security old age benefit	79	31%	1	33%	5	31%	15	31%	0	N/A	46	28%	8	57%	4	50%
Pension	102	40%	1	33%	7	44%	16	33%	0	N/A	67	40%	7	50%	4	50%
Workers compensation	141	55%	3	100%	8	50%	26	53%	0	N/A	86	52%	11	79%	7	88%
Individual coverage	33	13%	0	0%	1	6%	7	14%	0	N/A	19	11%	3	21%	3	38%
Other	13	5%	0	0%	2	13%	1	2%	0	N/A	7	4%	3	21%	0	0%
Sick days	5	2%	0	0%	1	6%	1	2%	0	N/A	2	1%	1	7%	0	0%
Vacation days	7	3%	0	0%	1	6%	1	2%	0	N/A	4	2%	1	7%	0	0%
Total*	256		3		16		49		0		166		14		8	

\*Respondents were permitted to select more than one item

Are employees covered by workers compensation insurance as a stand alone (non-offset) benefit?	Total		State		County		City		Township		School		20E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
	Yes	164	69%	0	0%	12	80%	33	70%	0	N/A	103	69%	10	71%	6
No	72	31%	2	100%	3	20%	14	30%	0	N/A	46	31%	4	29%	3	33%
Total	236	100%	2	100%	15	100%	47	100%	0	N/A	149	100%	14	100%	9	100%

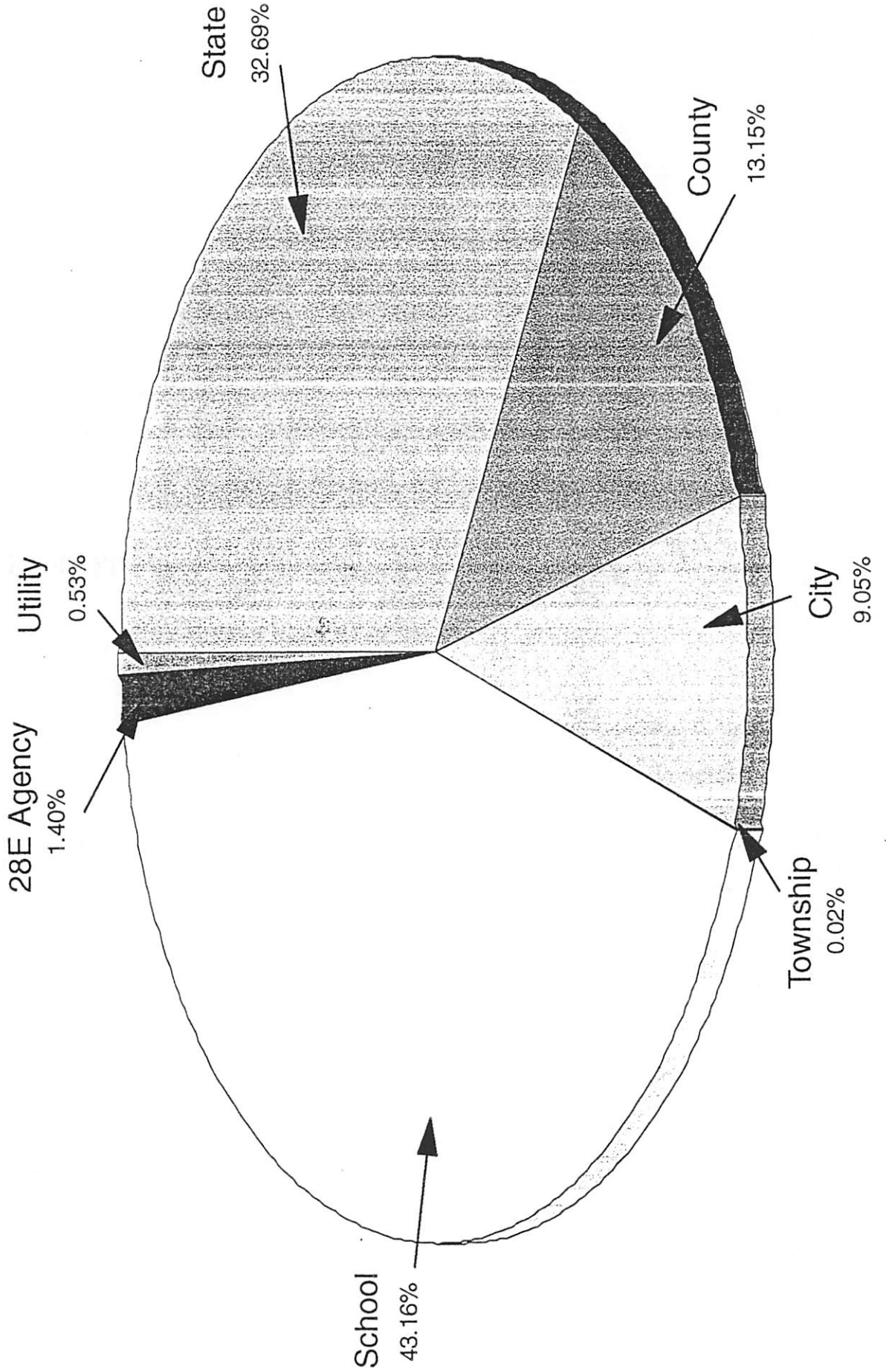
What types of disability are covered?	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Occupational disability	28	12%	0	0%	1	6%	2	5%	0	N/A	21	14%	4	31%	0	0%
Nonoccupational disability	17	7%	0	0%	3	19%	2	5%	0	N/A	11	7%	0	0%	1	13%
Both	186	80%	2	100%	12	75%	38	90%	0	N/A	118	78%	9	69%	7	88%
Other	2	1%	0	0%	0	0%	0	0%	0	N/A	2	1%	0	0%	0	0%
Total	233	100%	2	100%	16	100%	42	100%	0	N/A	152	100%	13	100%	8	100%

If the plan covers both occupational and nonoccupational disability, are the level of benefits different?	Total		State		County		City		Township		School		28E Agency		Utility	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Yes - Occupational provides a higher level of benefits	7	4%	0	0%	0	0%	0	0%	0	N/A	7	6%	0	0%	0	0%
Yes - Nonoccupational provides a higher level of benefits	3	2%	0	0%	0	0%	2	5%	0	N/A	1	1%	0	0%	0	0%
No	179	95%	2	100%	12	100%	36	95%	0	N/A	113	93%	8	100%	8	100%
Total	189	100%	2	100%	12	100%	38	100%	0	N/A	121	100%	8	100%	8	100%

## **APPENDIX III**

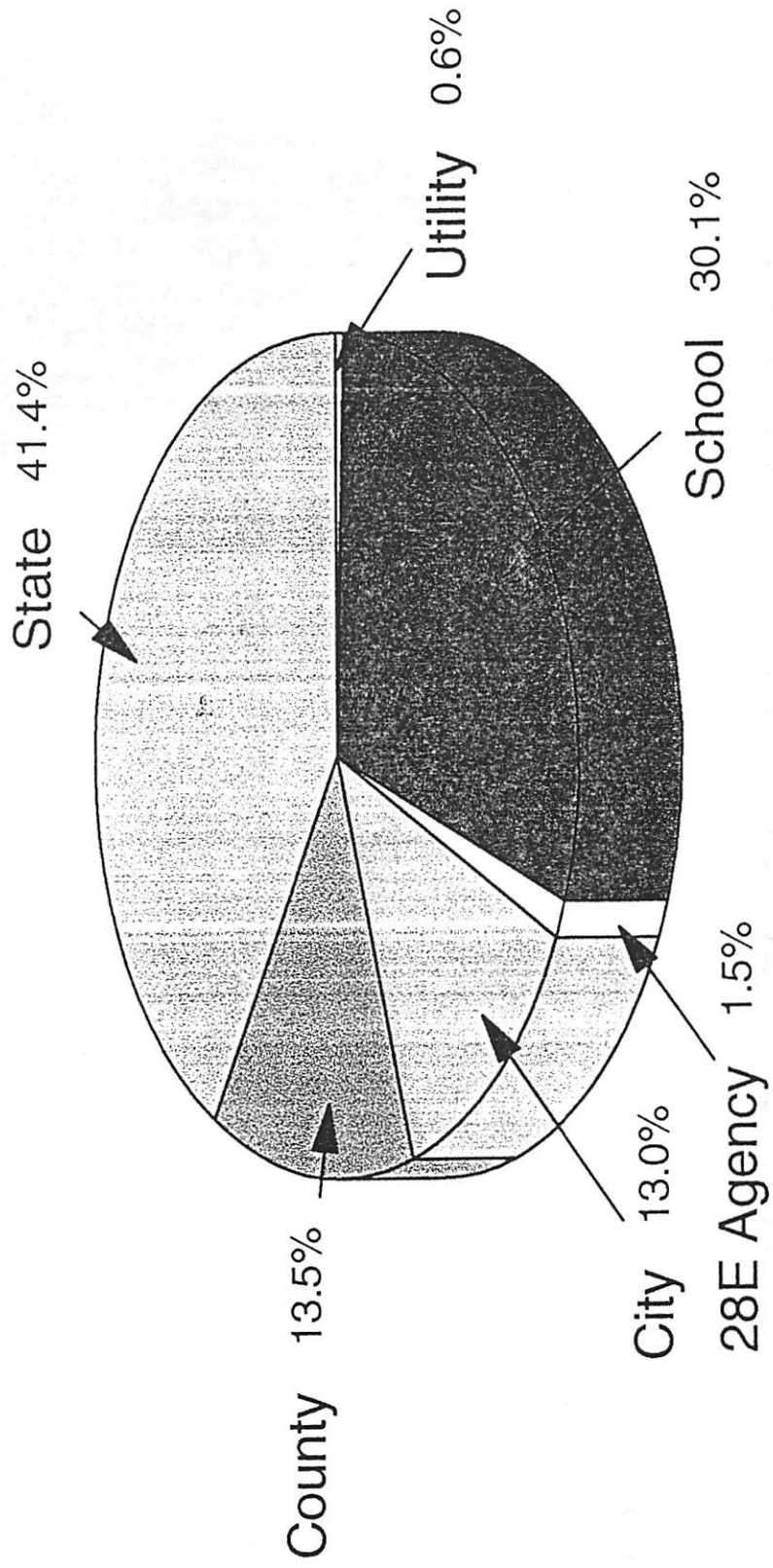
### **GRAPHS ON IPERS DISABILITY RETIREES**

# Retiree Profile

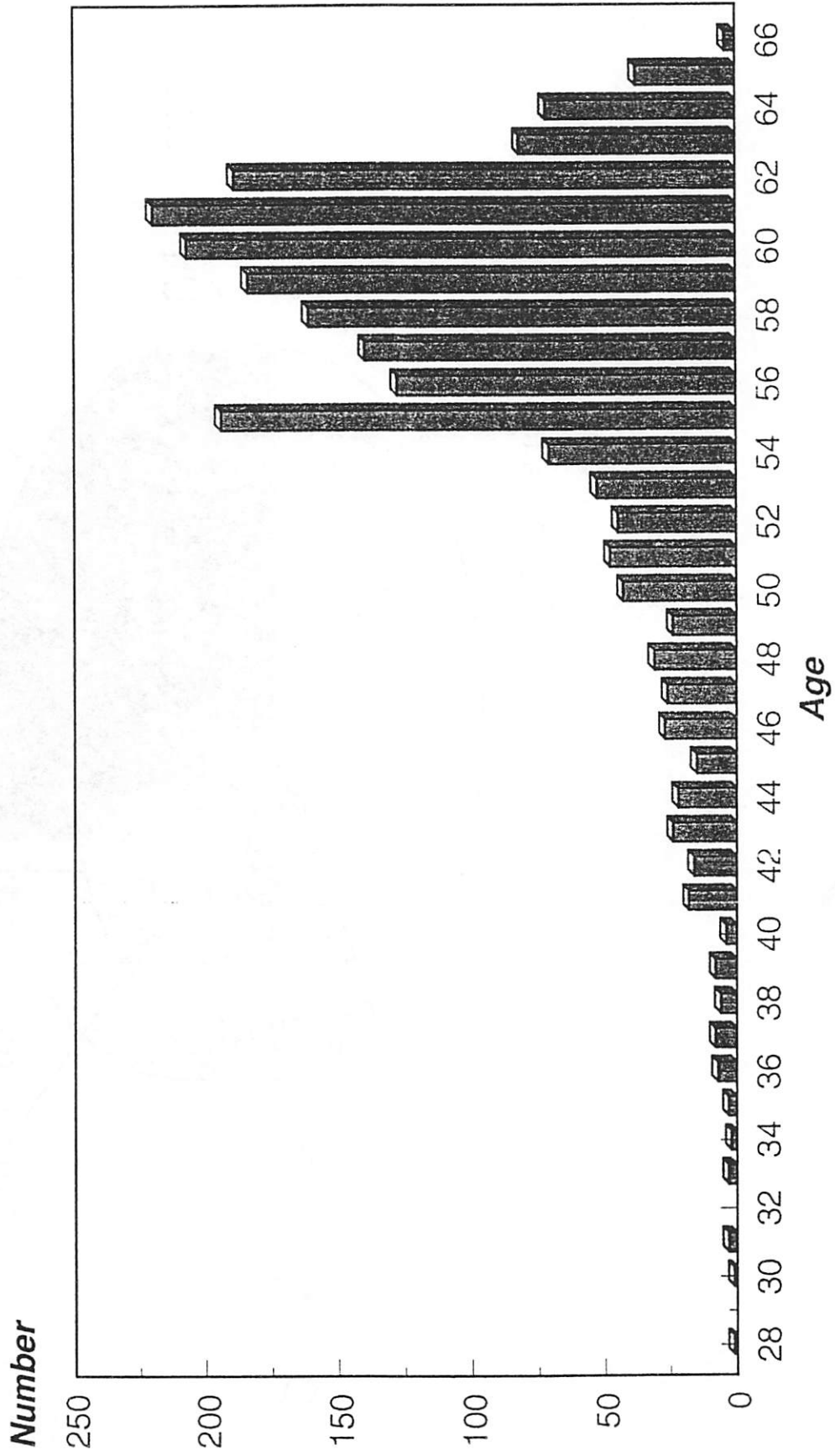




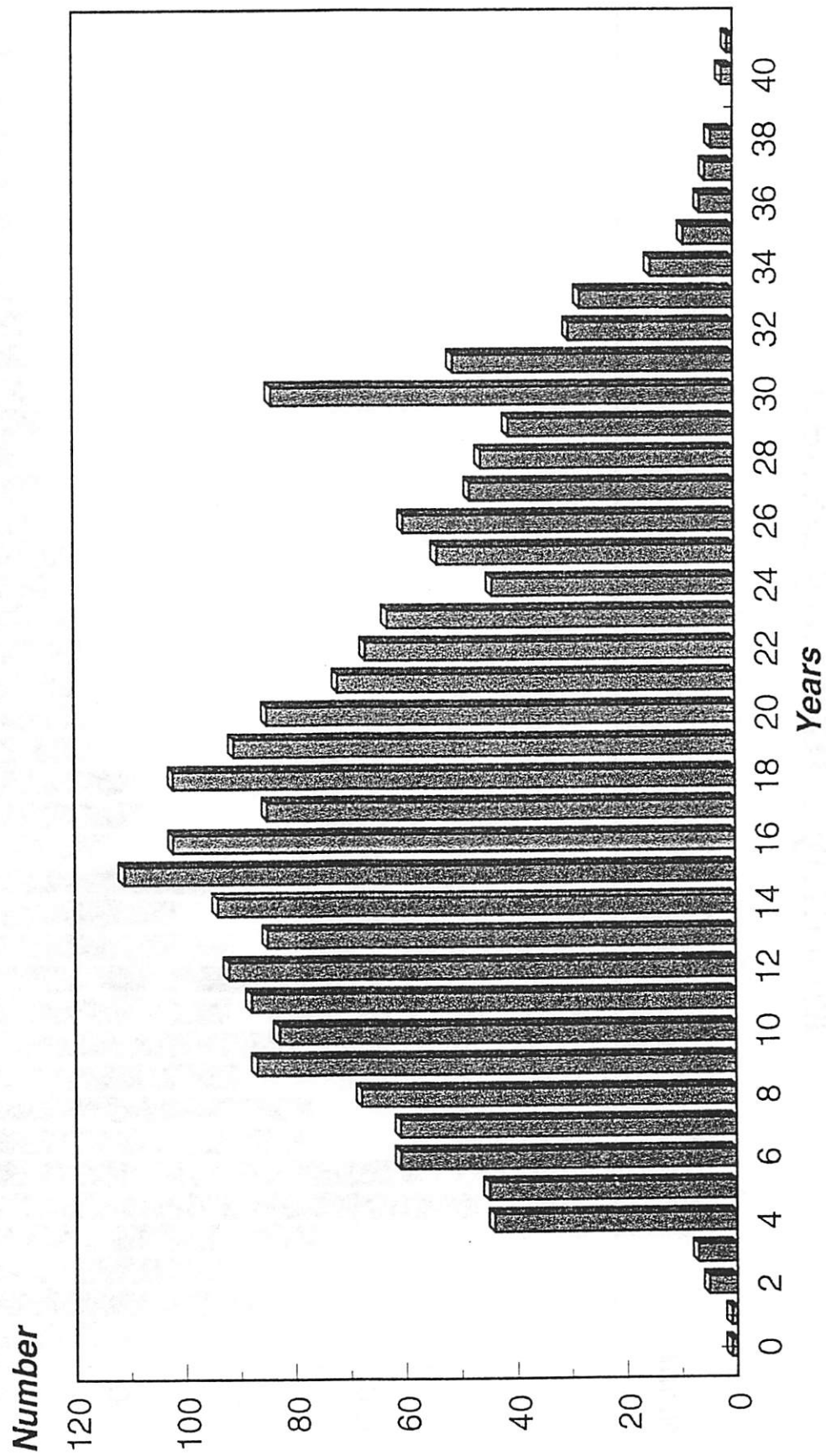
# Disability Retiree Profile



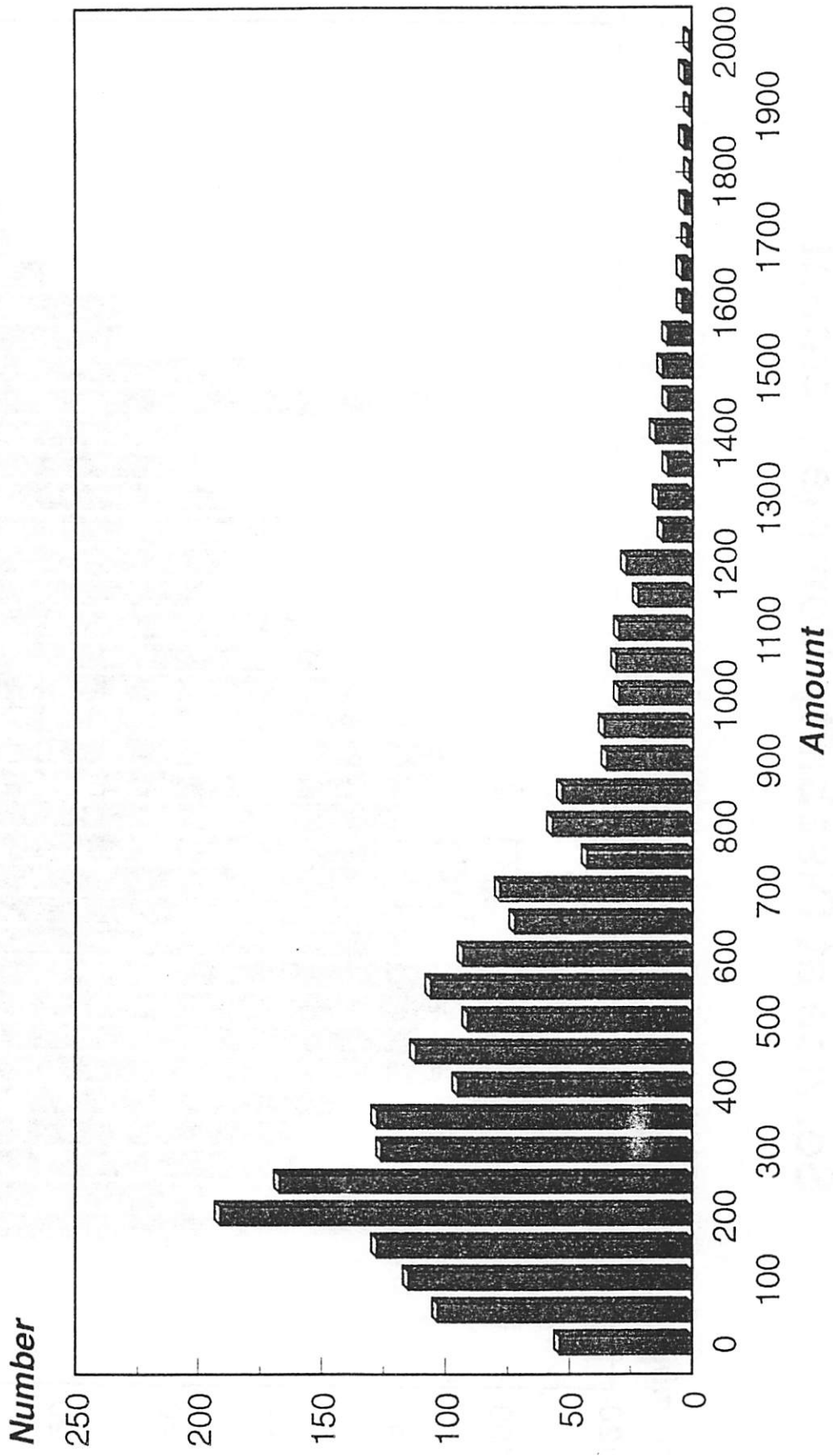
# Age at Disability Commencement



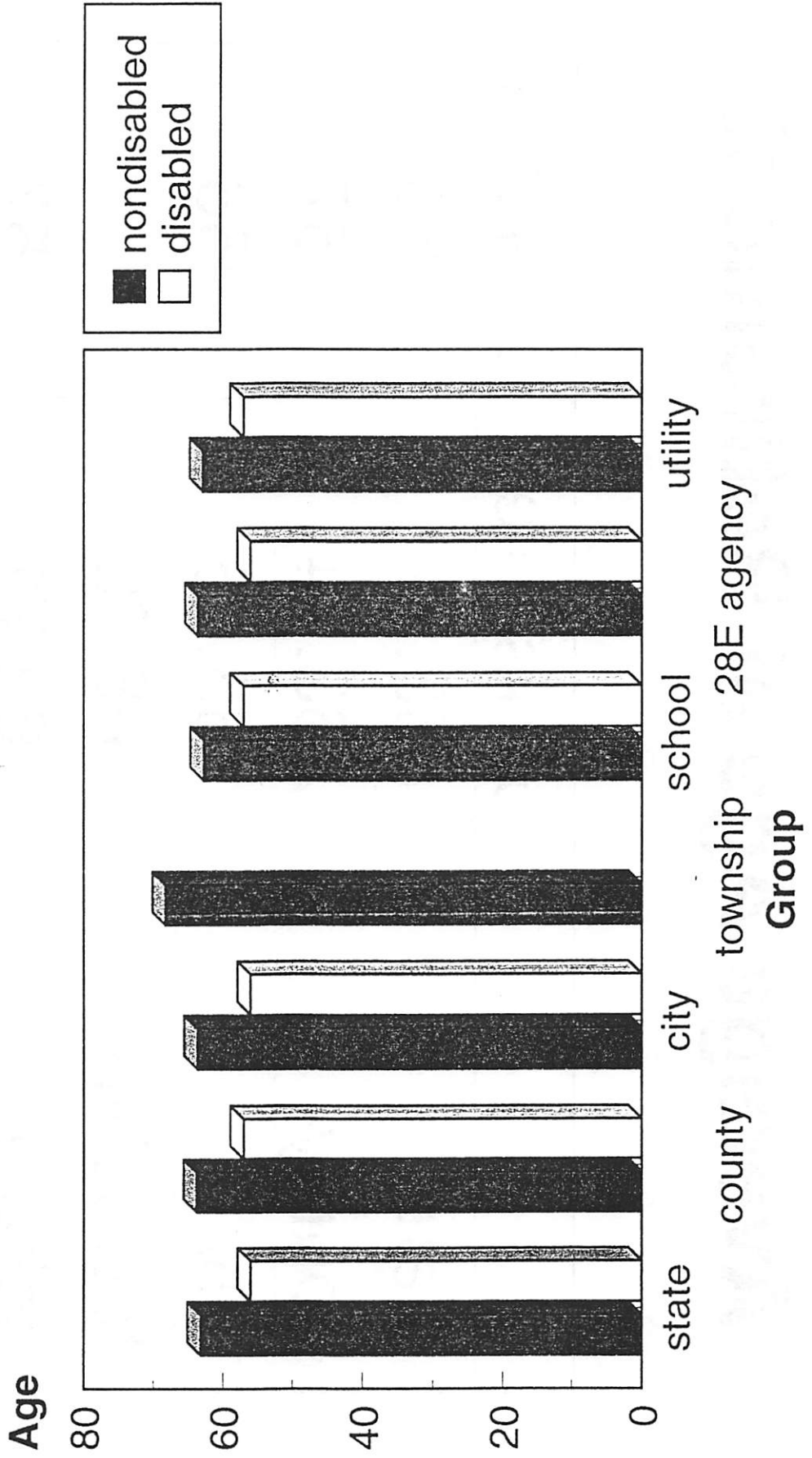
# Service at Disability Commencement



# Monthly Disability Benefit



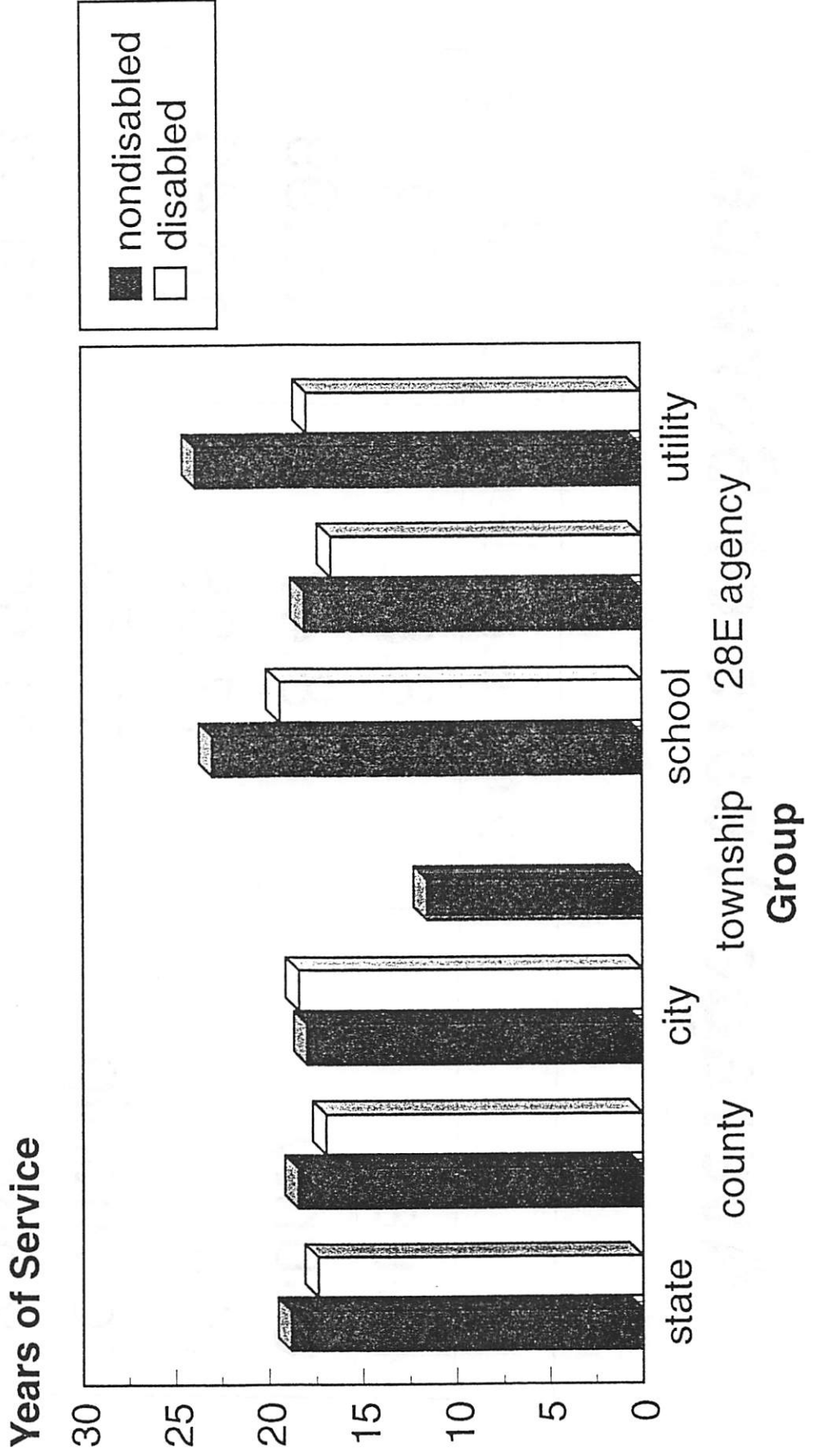
# Average Age at Retirement



# Average Age at Retirement

	nondisabled	disabled
state	63.19	56
county	63.74	57
city	63.65	56
township	68.22	
school	62.71	57
28E agency	63.52	56
utility	62.86	57

# Average Years of Service

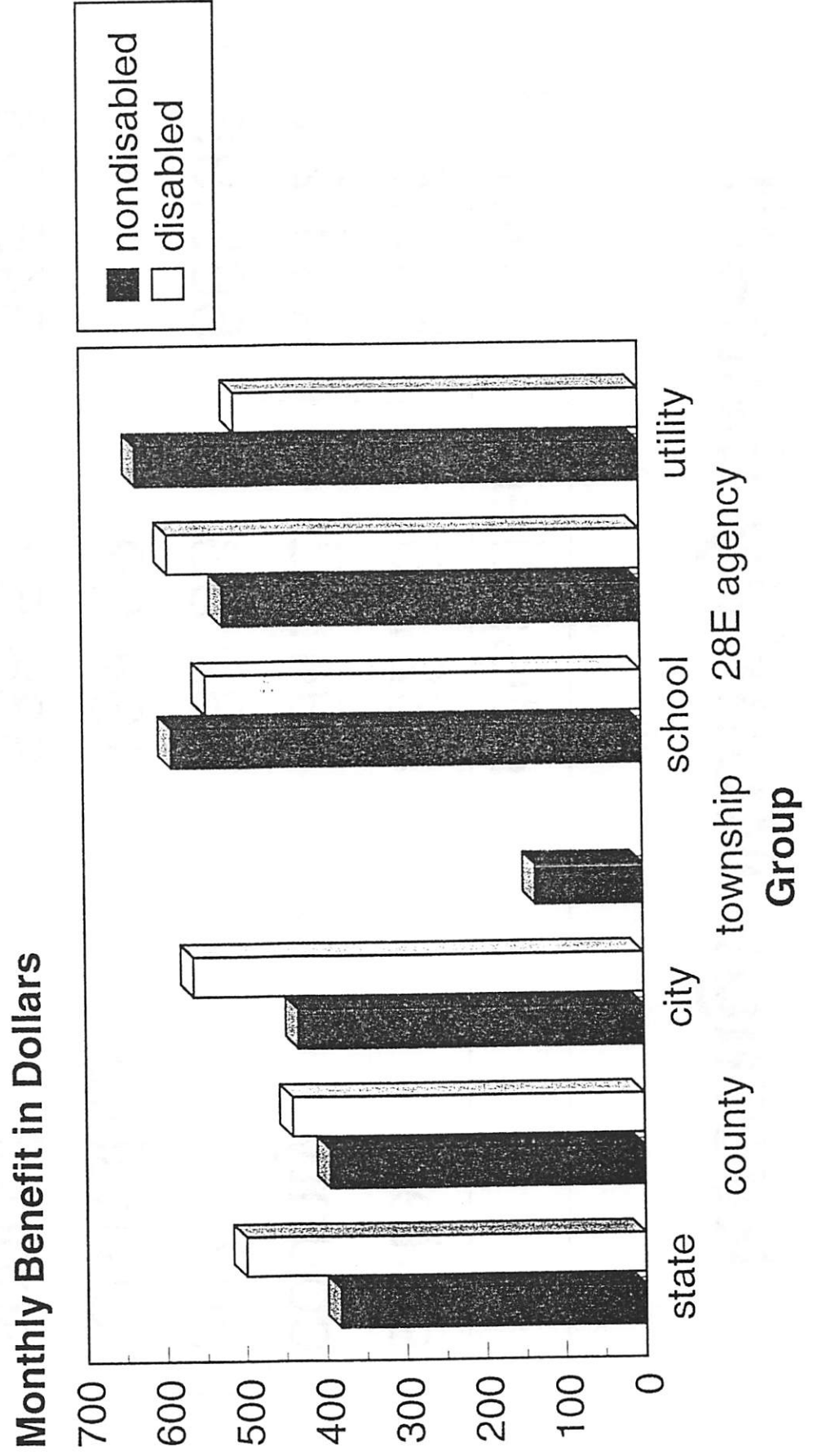


# Average Years of Service

	nondisabled	disabled
state	18.82	17.42
county	18.47	16.99
city	17.98	18.40
township	11.58	
school	23.02	19.38
28E agency	18.08	16.67
utility	23.87	17.92



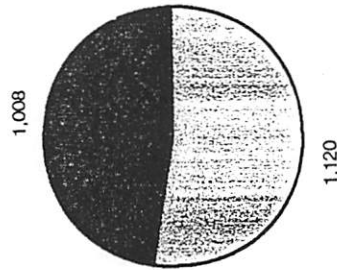
# Average Monthly Benefit



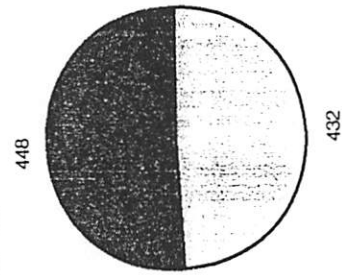
# Average Monthly Benefit

	nondisabled	disabled
state	382.66	500.54
county	394.42	441.21
city	432.53	563.95
township	134.29	
school	588.57	545.63
28E agency	523.40	591.64
utility	629.94	507.22

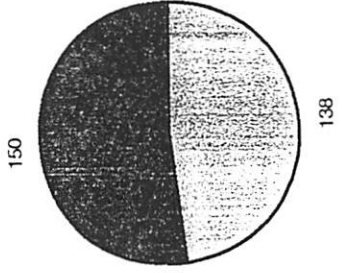
# Percentage of Disability Retirees Affected By Proposed Minimum Benefit



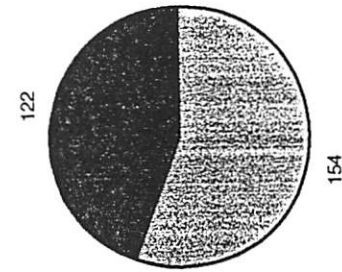
**Total**



**State**



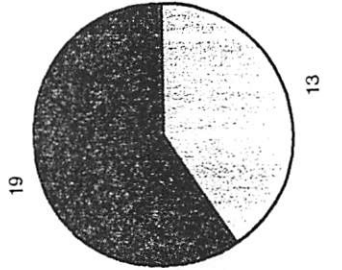
**County**



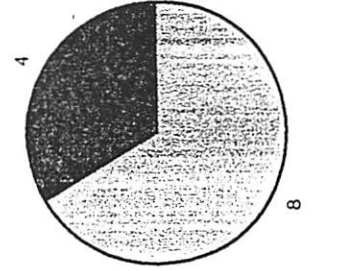
**City**



**School**



**28E Agency**



**Utility**

