

A COMPARATIVE ANALYSIS OF THE LEXINGTON POLICE DEPARTMENT'S
DISABILITY PENSION PLAN

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EXECUTIVE SUMMARY

Injuries are taking Lexington police officers off of the streets and placing them on the disability pension rolls in rising numbers. Police officers in Lexington must have a total and permanent disability according to American Medical Association guidelines of impairment ratings to receive a disability pension. There is no minimum percentage of impairment an officer must have to receive a disability pension. This poses a problem because the Lexington police department gives at least 60 percent of their final pay to disabled officers regardless of the percentage of their impairment. Some Lexington police officers who are receiving disability pension payments later move on to different jobs where they are performing tasks similar to those they had been deemed too disabled to perform at the police department. The trend of more Lexington police officers receiving disability pensions means that taxpayers will be paying more in taxes to help fund the police and fire retirement fund.

The purpose of the study is to answer three questions: are the eligibility criteria for the Lexington police department's disability pension plan different than those of comparison cities; if there are differences in eligibility criteria, what impact do the differences have on the number of police officers who begin to receive disability pensions; if there are differences in eligibility criteria, what are the financial implications to the city of Lexington?

Data was collected from police departments and pension funds in the cities of Lexington, Kentucky; St. Paul, Minnesota; and Toledo, Ohio regarding the number of police officers who were added to the service retirement and disability rolls each year from 1996 to 2005.

Eligibility criteria for the Lexington police department's disability pension plan are similar to the eligibility criteria for St. Paul's disability pension plan. However, eligibility criteria for the Lexington police department's disability pension plan are different from the eligibility criteria for Toledo's disability pension plan. The three cities had different percentages of total pension recipients who were awarded disability pensions. The percentages were as follows: Lexington (46 %), St. Paul (39.3 %), and Toledo (20.1 %). If Lexington had the same eligibility criteria as Toledo, Ohio; Lexington would have spent approximately \$1.58 million less on disability pensions from 1996 to 2005.

Lexington should consider implementing a disability pension system similar to Toledo where officers are awarded a partial disability benefit if the physicians believe that the officer will be able to supplement their disability benefit with income from some kind of employment, and they should implement some aspects of the Department of Veterans Affairs (VA) disability pension system. VA has incorporated a system that gives disabled veterans a different monthly stipend depending on the degree of the disability. The veterans are rated in percentage increments of 10 depending on the severity of their disability. Lexington should also provide very specific details about what jobs an officer who is receiving a disability benefit cannot be employed in or their benefits will be terminated.

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Problem Statement

Recently, a great deal of attention has been paid to the police pension system in Lexington. Injuries are taking Lexington police officers off of the streets and placing them on the disability pension rolls in rising numbers. According to Beth Musgrave, "In 2004, 26 police officers and firefighters took disability retirement – the most in the fund's history" (Aches). The data from the Lexington police department showed that there were, in fact, 19 police officers who took a disability retirement in 2004, and 15 police officers who took a service retirement in that same year (Appendix B). This increase in the number of Lexington police officers receiving disability pensions suggests that Lexington might want to reconsider some of its eligibility criteria for a police officer to receive a disability pension.

The trend of more Lexington police officers receiving disability pensions began in 2001. In the year 2000, only 4 officers received a disability pension, but 11 officers received disability pensions in 2001.

One thing that needs to be evaluated is the eligibility criteria that must be met before one is allowed to receive a disability pension. For a Lexington police officer to be eligible to receive a disability pension, the pension board must choose 2 medical doctors to examine the police officer to certify that he or she is disabled. Police officers in Lexington must have a total and permanent disability according to American Medical Association guidelines of impairment ratings to receive a disability pension. There is no minimum impairment percentage rating that an officer must meet to be considered totally and likely to be permanently disabled. The officer must receive an impairment rating of

A comparative analysis of the Lexington Police Department's disability pension plan greater than 0 percent from the 2 physicians chosen by the board, and the physicians must believe that the impairment will not improve in one year to be eligible for a disability pension. A one percent impairment percentage is the lowest percentage that the American Medical Association uses to rate impairments.

According to the American Medical Association:

Impairment percentages or ratings developed by medical specialists are consensus-derived estimates that reflect the severity of the medical condition and the degree to which the impairment decreases an individual's ability to perform common activities of daily living (ADL), excluding work. For example, an individual who receives a 30% whole person impairment due to pericardial heart disease is considered from a clinical standpoint to have a 30% reduction in general functioning as represented by a decrease in the ability to perform activities of daily living. Thus, a 30% impairment rating does not correspond to a 30% reduction in work capability. (4-5)

Robert Cottone, who served on the Lexington Pension Board from 1997 until 2003 said that he was told by a doctor, "If you line up one hundred 40-year-olds, 99 percent are going to have some sort of disability." Cottone also said, "1 percent disabilities were rare, but 2 and 3 percent were very popular numbers" (quoted in Musgrave, Aches). Cottone's quote makes it clear that there are many officers in Lexington who receive disability pensions that have impairment percentages below 3 percent, which is very low. This poses a problem because the Lexington police

A comparative analysis of the Lexington Police Department's disability pension plan department gives a minimum of 60 percent of their final pay to disabled officers regardless of the percentage of their impairment. The Department of Veterans Affairs has incorporated a system that gives disabled veterans a different monthly stipend depending on the degree of the disability. The veterans are rated in percentage increments of 10 depending on the severity of their disability. Also, "The percentage ratings represent as far as can practicably be determined the average impairment in earning capacity resulting from such diseases and injuries and their residual conditions". For example, a veteran with a 10 percent disability would receive a monthly benefit of \$108, while a veteran with a 100 percent disability would receive a monthly benefit of \$2,299 (Department of Veterans Affairs).

Some Lexington police officers who are receiving disability pension payments later move on to different jobs where they are performing tasks similar to those they had been deemed too disabled to perform at the police department. One Lexington police officer that was found to be too disabled to do his job at the police department went on to serve in the Air National Guard after passing the medical tests necessary to join. The officer began receiving disability payments in 2001 because of ankle and knee problems, but he joined the Air National Guard in 2003 (Musgrave, Aches).

One Lexington police officer, who suffered a shoulder injury in October 2001, is receiving a tax-free disability pension payment of more than \$43,000 per year. A doctor evaluated the officer and found that he had a 6 percent impairment rating. The doctor suggested that the department should only put temporary restrictions on the officer and compared the officer's current disability to that of a football player who suffers an injury

A comparative analysis of the Lexington Police Department's disability pension plan but then returns to the sport. The doctor told the officer that he would be able to return to his duties as a police officer after he healed from his surgery. However, the Lexington Police and Fire retirement fund board granted this officer a disability pension due to his injuries. This officer now has a job in state government where he trains SWAT officers and he receives more than \$50,000 per year for that job in addition to his disability pension (Massey, Too disabled). It might have been helpful in this situation, if the retirement board had elected to have this officer undergo a medical examination once a year to review his disability. The board has the power to review disability retirements once a year according to the Kentucky Revised Statutes.

Another problem that I plan to examine is the financial implications of disability pension eligibility criteria differences, if any, to the city of Lexington. The trend of more Lexington police officers receiving disability pensions means that taxpayers will be paying more to help fund the police and fire retirement fund. According to the Lexington Herald-Leader, "Police officers and firefighters contribute 11 percent of their salaries every year to the pension fund. The city contributed 21 percent of the total payroll for active police and firemen to the pension fund last year. This year, the percentage will increase to 23 percent. From 1994 to 2004, taxpayers have contributed \$79.6 million to the pension. Police officers and firefighters have contributed \$41.3 million" (Musgrave, Police in trouble). The police and fire retirement fund is never expected to go bankrupt because it is funded by the city, but tax payers may be vocal when they realize that the rise in disability pensions is affecting how much they pay the government in taxes.

Research Questions

- 1) Are the eligibility criteria for the Lexington police department's disability pension plan different than those of comparison cities?
- 2) If there are differences in eligibility criteria, what impact do these differences have on the number of police officers who begin to receive disability pensions?
- 3) If there are differences in eligibility criteria, what are the financial implications to the city of Lexington?

Literature Review

Pensions have existed in the United States since before the Constitution was signed. However, most of these early pensions went to military personnel who were either retired or disabled. Pensions were introduced to civilian employees in the late nineteenth century. Military pensions were created to help attract and retain quality personnel to the armed forces. It was after 1920 when most federal government workers were introduced to pension plans (Clark 3-4). Pension plans are a very important part of the compensation package for government employees. According to Robert Clark, "Employers use pensions to attract, retain, motivate, and retire workers" (11).

There are 2 main types of pension plans that are offered by employers. The 2 types of plans are defined contribution and defined benefit plans. A defined benefit plan gives a specified benefit to the employee for life after retiring. The amount of the benefit is typically based on the number of years that the individual was employed. A defined benefit plan is usually partially or totally funded by the employer. A defined contribution plan is a situation in which the employee contributes to a pension plan. The amount of the

A comparative analysis of the Lexington Police Department's disability pension plan benefit is based upon how much the employee contributes to this plan over their lifetime. Most pension plans used to be defined benefit plans, but recently there has been a shift toward using defined contribution plans because it is less costly to the employer (Clark 11).

A benefit plan can be a resourceful way of motivating employees to stay with one organization for a long period of time. "There were some moral hazards built into the employer's side of these contracts, since employers had an incentive to dismiss workers as they approached retirement age and thus became eligible for pension benefits" (Clark 12). Companies that have high training and hiring costs are more likely to offer generous pension plans because they give the employee an incentive to stay with company for a long time. Therefore, companies can use pension plans to help attract the type of people that they would like to employ. Studies have shown that the low turnover rate in the federal government stems from the fact that there are large pension penalties for leaving before you reach retirement age (Clark 13).

Pensions can be a strong form of motivation for higher employee performance. Research has shown that organizations that provide defined benefit plans have a lower employee turnover rate. Research also shows that both the employer and workers are better off when the employer provides a defined benefit plan (Clark 15, 19).

Pension plans were generally limited to police officers, firefighters, and teachers until the first decades of the twentieth century. In 1857, the New York City police department became the first organization to establish a pension plan. According to Robert Clark, "The New York City police pension plan was a disability plan until a retirement

A comparative analysis of the Lexington Police Department's disability pension plan feature was added in 1878" (167). Many of the early pension plans were disability plans that did not include a retirement feature.

The Department of Defense provides disability benefits similar to that of the civil service, but they require a certain degree of disability to be eligible to receive benefits. The Department of Defense requires that a person with less than 20 years of service have at least a 30 percent disability to be eligible to receive a disability benefit. Individuals with more than 20 years of service may receive disability benefits if their disability is rated at less than 30 percent (Munnell 24).

The typical pension plan in state and local governments require that an employee be totally and permanently disabled to receive disability benefits. Table 1 tells us that 17.3 percent of police and firefighters retired on disability while only 6.9 percent of general government workers retired on disability. Disability definitions are usually more lenient in the public sector. For instance, state and local pension plans are much more likely to provide benefits for an employee who becomes partially disabled. It is normal for police disability pension plans to pay anywhere from 66 to 75 percent of an officer's final pay. An employee who receives a disability pension will typically receive an increase in benefits when they reach retirement age. Most employers will switch the employee to normal retirement status when they reach retirement age (Munnell 26-27).

Table 1

Percentage of state and local retirees who retired on disability pensions

	Retired on disability
Total state and local	6.5
General government workers	6.9
Police and fire fighters	17.3
Teachers	3.5

Source: Munnell, Alicia. Pensions for Public Employees. Washington, DC: National Planning Association, 1979. p. 26.

Police pension plans vary widely from city to city. However, the benefits in police pension plans are typically more generous than pension plans for other local employees.

Alicia Munnell says this about police pensions:

Retirement on the basis of service-connected disability is widespread. The police in Washington, DC provide an extreme example where three-fourths of beneficiaries retire on service-connected disability. Disability programs appear to be administered very leniently; many state and city plans presume that any heart disability is service-connected. (70)

The police disability pension plan in Portland, Oregon has been under some intense scrutiny over the past few years. Most government workers in Oregon are covered by the Public Employees Retirement System which consults experts from outside the organization to evaluate any injury claims. However, the police and firefighters have their own pension fund that operates internally. The mayor of Portland noted that either the

A comparative analysis of the Lexington Police Department's disability pension plan city must be extremely dangerous for police officers, or their pension plan must be very generous (Albright).

“When it comes to disability claims, the pension fund is more generous than other systems for public employees in Oregon. For Portland cops and firefighters, injury awards are made by the local pension board—which is dominated by cops and firefighters, who have a street-level understanding of how their peers are exposed to injury every day,” said Bob Young. In Portland, property taxes pay the entire amount that is required to fund the retirement fund. Police officers and firefighters do not contribute to the retirement fund. An audit in 1994 found that many of the disability claims lacked medical documentation. This audit also found a case in which the retirement fund board dismissed the opinion of a cardiologist because they believed that the police officer should not have to work (Young).

The board of the police and fire retirement fund in Lexington has the power to take a disability pension away from any officer. However, the board has never exercised this option. The board has recently passed some reforms due in large part to the increase in the number of officers receiving disability pensions. According to Delano Massey, “it [the pension board] will now require many disabled police and firefighters to see a doctor once a year to certify that they are still disabled” (Paid to work).

The Police and Fire Retirement fund board in Lexington is considering making changes to the police and firefighter pensions. The board is hoping to make a change in the way disability pensions are calculated in Lexington. The legislation that the board is hoping to get passed would require that disability pensions be calculated on a sliding

A comparative analysis of the Lexington Police Department's disability pension plan scale according to their impairment rating. This would be done to make disability pensions seem less attractive to officers who have low impairment ratings. "For example, someone with a 1 percent to 5 percent disability would receive much less than someone who has a disability of more than 40 percent. Currently, if two doctors claim that a police officer or firefighter is 1 percent disabled, he or she is entitled to a minimum of 60 percent of total salary" (Musgrave, Board considers).

Relevant Facts

Information regarding Lexington and the comparison cities

This section of the paper explains the legislation that guides officials in granting disability pensions to disabled employees in Lexington and the comparison cities of Toledo, Ohio and St. Paul, Minnesota.

Lexington, Kentucky: The city of Lexington, Kentucky has an urban county government. The Kentucky Legislature authorized cities in Kentucky to form urban county governments in the Kentucky Revised Statutes (KRS). The authorization language can be found in KRS 67A.010:

In order to facilitate the operation of local government, to prevent duplication of services, and to promote efficient and economical management of the affairs of local government, the voters in any county except a county containing a city of the first class may merge all units of city and county government into an urban-county form of government.(67A.010)

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Urban county governments in the state of Kentucky are required to establish a retirement and benefit fund for policemen and firefighters. The authorization language for this can be found in KRS 67A.370:

There is hereby established in urban-county governments, a retirement and benefit fund for members of the police and fire departments, their dependents and beneficiaries. The fund shall be known as the "Policemen's and Firefighters' Retirement Fund of the...Urban-County Government." (67A.370)

The authorization language in the Kentucky Revised Statutes that describes disability retirement benefits of a police officer or firefighter who becomes permanently disabled to perform their occupation follows:

- (1) If a total and permanent occupation disability occurs, the member shall receive an annuity calculated pursuant to subsection (2) of this section. This benefit shall begin at the time his salary ceases, and shall be paid during his entire lifetime.
- (2) The minimum annuity rate for a total and permanent occupational disability shall be sixty percent (60%) of the member's last rate of salary. The minimum rate shall be increased by one half (1/2) of the amount by which the member's percentage of disability exceeds twenty percent (20%), but this increase shall be not more than fifteen percent (15%) of the member's last rate of salary and

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the member's total annuity shall not be greater than seventy-five percent (75%) of his last rate of salary.

- (3) The member's percentage of disability shall be the average of the impairment rating determined by two (2) physicians selected by the board under KRS 67A.480, using the latest edition of the American Medical Association's "Guides to the Evaluation of Permanent Impairment". (67A.460)

The review of disability retirements in Lexington is covered under KRS 67A.462. The board of the retirement fund may elect to have a member receiving a disability allowance undergo a medical examination once a year. The officer would lose his disability allowance if he refused to proceed with a medical examination. The officer would lose his disability allowance if the medical examination proved that he no longer had a permanent disability. The board also requires that officers receiving a disability allowance submit a statement once a year that indicates if and where they are employed, as well as the duties of their job (KRS 67A.462). The authorization language that allows the board to terminate the benefits of a member if he is working in a similar occupation follows:

The board shall have the right to terminate the disability retirement benefits of any member who is employed in an occupation which is essentially similar to that of his former employment, either in job classification, similarity of duties, or which otherwise demonstrates that the member is performing activities for which he earlier claimed he was

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disabled from performing. For the purpose of this section, members who were sworn police officers may not hold a sworn position as peace officer and continue to receive disability benefits. (KRS 67A.462)

All officers must participate in a medical examination to be eligible for disability benefits in Lexington. The Kentucky Legislature enacted legislation on July 1, 1974 that requires urban county governments to undergo a certain process to determine if an officer has a disability. The language of this legislation follows:

For the purpose of KRS 67A.360 to 67A.690, a member shall be considered totally and permanently disabled after the board has received written certification by at least two (2) licensed and practicing physicians selected by the board that the member is totally and likely to be permanently disabled for the further performance of the duties of any assigned position in the service of the department. If upon consideration of the report of such physicians and such other evidence as shall have been presented to it by the member or others interested therein, the board finds the member to be totally and permanently disabled, it shall grant him a disability retirement annuity upon written certification that the member has been separated from the service of the government because of total disability of such nature as to reasonably prevent further service for the employer, and as a consequence is not entitled to compensation from the government. (KRS 67A.480)

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Toledo, Ohio: A police officer in Toledo, Ohio must have a disability that is permanent to be eligible to receive a permanent and total disability pension. If a disability occurs while on duty, then there is no minimum time period of service required to be eligible to receive disability benefits. According to the Ohio Police and Fire Pension Fund (OP&F):

Permanent and total disability means that you are unable to perform either your official police or fire duties or the duties of any gainful occupation for which you are reasonably fit by training, experience, and accomplishments, and there is no present indication of recovery. The annual benefit for a permanent and total disability is 72 percent of your average annual salary. Your average annual salary is defined under Ohio law as being the average of the three highest years of salary, earnings, or compensation, regardless of when in your career the highest years occurred. (Ohio, disability benefits)

OP&F has different rules for partial disabilities. This is one aspect of their disability pension system that is different than the city of Lexington's. According to OP&F:

Partial disability means that you are disabled to the extent that you are unable to perform your official police or fire duties and your earnings capacity is impaired. It is anticipated that you will be able to supplement your benefit with earnings from other gainful employment.

- If you have less than 25 years of service credit, the annual benefit payable under a partial disability grant is set by the OP&F Board of

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Trustees to be a certain percentage of your average annual salary, as already defined. The maximum percentage that the Board can award an individual with less than 25 years of service is 60 percent. (Ohio, Disability benefits)

OP&F also uses the American Medical Association's Guides to the Evaluation of Permanent Impairment as the basis for evaluating impairments. OP&F also requires police officers to take assessments that evaluate the officer's potential for employment. "In awarding disability benefits, the OP&F Board of Trustees has determined that you are unable to work at police or fire employment or any similar employment" (Ohio, Disability benefits).

OP&F also requires that all disability pension recipients receive an annual medical evaluation. OP&F also requires an annual yearly earnings statement that indicates any earnings in addition to the disability pension. "Ohio law grants OP&F the authority to increase, decrease, or terminate the benefit as a result of your earnings statement" (Ohio, disability benefits).

St. Paul, Minnesota: The Public Employees Retirement Association (PERA) of Minnesota controls the service retirement and disability pension plans for police officers at the St. Paul Police department. To qualify for a disability pension through PERA:

- Your condition must be expected to last at least one year.
- If you are disabled in the line of duty, no minimum service time is required to qualify for disability benefits. If your disability is not duty related, one year of service is required.

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- When you apply for disability benefits, you will need to give medical evidence supporting your claim of disability.
- After benefits begin, PERA will require periodic medical examinations as proof that your disability is continuing. (Minnesota disability benefits)

The minimum benefit that PERA gives to a police officer that is disabled is 60 percent of the officer's average salary over his highest paid 5 years of service. An officer who has served over 20 years and becomes disabled will receive a 3 percent larger disability benefit for every year they served over 20 years. According to PERA:

If you remain disabled according to Minnesota state law and return to work, either public or private, in a position not normally covered by the Police and Fire Plan or in a position not directly comparable to your previous occupation, you may continue to receive a disability benefit.

Your combined salary and benefit, however, cannot exceed the salary you were earning before your disability or 125 percent of the salary currently being paid by your former employer for a similar position, whichever is higher. The disability benefit must be reduced by \$1 for every \$3 you receive above the limit. (Minnesota disability benefits)

Information regarding the Evaluation of Impairment

This section of the paper explains how physicians estimate the impairment percentage of a person who has sustained an injury.

The American Medical Association has published the Guides to the Evaluation of Permanent Impairment in book form since 1971. "The Guides was first published in book

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form in 1971 in response to a public need for a standardized, objective approach to evaluating medical impairments" (Guides 1).

The Guides to the Evaluation of Permanent Impairment tells us this about impairments:

The Guides continues to define impairment as a loss, loss of use, or derangement of any body part, organ system, or organ function. An impairment is considered permanent when it has reached maximal medical improvement (MMI), meaning it is well stabilized and unlikely to change substantially in the next year with or without medical treatment. The term impairment in the Guides refers to permanent impairment, which is the focus of the Guides. According to the Guides, determining whether an injury or illness results in a permanent impairment requires a medical assessment performed by a physician. (2)

According to the Guides to the Evaluation of Permanent Impairment, "Impairment percentages or ratings developed by medical specialists are consensus-derived estimates that reflect the severity of the medical condition and the degree to which the impairment decreases an individual's ability to perform common activities of daily living (ADL), excluding work. Impairment ratings were designed to reflect functional limitations and not disability" (4). Impairment ratings are not designed to be used as an indicator of whether an individual is capable of performing a certain kind of work.

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The Guides to the Evaluation of Permanent Impairment book gives an example of 1 percent impairment. An injury resulted when a 78-year-old woman fell while at the grocery store and fractured her left tibia. The woman was treated for this injury by wearing a cast for 3 months. The fracture healed after the 3 month period and she no longer feels any pain from the injury (Guides 534). However, this woman is rated as having 1 percent impairment of the whole person even after she healed.

Methodology

The objective of the data analysis is to use a comparative research method to help identify, analyze, and explain the differences and similarities in the selected police departments disability pension plans. I chose Toledo, Ohio and St. Paul, Minnesota as the comparison cities because they had similar populations and violent crime rates per capita. For this research paper, I gathered data from multiple sources to determine (a) whether the eligibility criteria for the Lexington police department's disability pension plan were different than the comparison cities of Toledo, Ohio and St. Paul, Minnesota, (b) what impact any eligibility criteria differences might have on the number of police officers who begin to receive disability pensions and (c) the financial implications to the city of Lexington resulting from differences in eligibility criteria. The primary data sources were either the police departments themselves or officials at the police and fire retirement funds. Data regarding eligibility criteria were found in the state statutory laws and on the police and fire retirement fund websites.

The units of analysis used in this study were the police disability pensions of Lexington, Kentucky; Toledo, Ohio; and St. Paul, Minnesota. The comparison cities of

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Toledo and St. Paul were chosen because they are similar to Lexington among multiple dimensions. I had planned to use the cities of Montgomery, Alabama; Raleigh, North Carolina; and Norfolk, Virginia as comparison cities, but am still awaiting data from those cities. The population numbers from the 2000 census were used to find cities that were comparable to Lexington in population. The median household income from the 2000 census was also utilized to find cities whose median incomes were comparable. The most important dimension used to find comparison cities was the violent crime rate per capita. It was very important to find cities where crime levels are similar to Lexington because we are comparing the number of police officers that were disabled in each city. The number of uniformed police officers in each city is another dimension that was compared. You can see the similarities in the three cities by looking at Table 2 on the next page.

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Table 2

Demographic Information for cities utilized in the comparison analysis

	Population (2000) *	Median Household Income (1999) *	# of Uniformed Police Officers ****	Cost of living index ***	Violent crime rate per 100,000 population (2000) **
Lexington, KY	260,512	\$39,813	508	88.6	724.7
St Paul, MN	287,151	\$38,774	551	113.9	833.4
Toledo, OH	313,619	\$32,546	676	87.5	758.9

Sources:

* <http://quickfacts.census.gov/>

** <http://bjsdata.ojp.usdoj.gov/dataonline/Search/Crime/Local/JurisbyJurisLarge.cfm>

*** <http://www.bestplaces.net/>

**** Telephone conversations with the police departments

I will compare the eligibility criteria of each of the comparison cities to Lexington's criteria. Where you go to find this information varies from city to city. Lexington's eligibility criteria are set forth in the Kentucky Revised Statutes. The eligibility requirements for Toledo's disability pension plan can be found in the members' guide to disability benefits on the website of the Ohio Police and Fire Pension Fund. The eligibility requirements for St. Paul's disability pension plan can be found on the Public Employees Retirement Association of Minnesota's website.

If there are differences in eligibility criteria, I will assess how much of an impact the differences have on the number of police officers who begin to receive disability pensions. I will determine the size of the impact by finding the number of police officers who went onto the disability rolls and the number that went onto the pension (disability and service retirement) rolls for the years that I received data. I will then calculate what percentage of total pensions were disability pensions for each city. After this, I will

A comparative analysis of the Lexington Police Department's disability pension plan compare the percentages for the three cities and see what kind of impact any eligibility criteria differences may or may not have had on the percentage of police officers who received disability pensions.

If there are differences in eligibility criteria, I will calculate the financial implications for the city of Lexington. The first thing I will do is calculate the average annual dollar amount of a disability payment for Lexington police officers from 1996 to 2005. I will then take the total number of disability pensions in Lexington from 1996 to 2005 and multiply that number by the average annual dollar amount of a disability payment to calculate the cost of disability pensions to the city of Lexington. I will then utilize the percentages of total pension recipients in the cities of Toledo and St. Paul who received disability pensions to see what the city of Lexington would have saved or lost over this time period if they had used the same disability pension eligibility requirements as those cities.

Results

Eligibility criteria for the Lexington police department's disability pension plan are similar to the eligibility criteria for St. Paul police department's disability pension plan. However, eligibility criteria for the Lexington police department's disability pension plan are different from the eligibility criteria for Toledo police department's disability pension plan. The main difference is summarized in Table 3 on the next page. The Toledo police department has two types of disability pensions police officers can receive if they become disabled, and they are total/permanent and partial. Toledo police officers who are found to have a partial disability receive an annual benefit amount that is

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set by the Pension board and is less than 60 percent of their average salary. Lexington and St. Paul only grant permanent disability pensions to officers and the minimum benefit with both of those plans is 60 percent of the officer’s salary.

Table 3

Eligibility criteria for Lexington and the comparison cities

	Grants partial disability pensions where the amount of the benefit depends on the severity of the impairment
Lexington, KY	No
St. Paul, MN	No
Toledo, OH	Yes

In Lexington and St. Paul, a police officer needs to have an impairment of any severity that will last for over one year to be eligible for a total and permanent disability pension. Therefore, some officers who received total and permanent disability pensions in Lexington or St. Paul might have only received a partial disability pension if they worked for the Toledo police department. According to the Ohio Police and Fire Pension Fund, “Partial disability means that you are disabled to the extent that you are unable to perform your official police or fire duties and your earnings capacity is impaired. It is anticipated that you will be able to supplement your benefit with earnings from other gainful employment” (Ohio, disability benefits).

Another difference in the eligibility criteria is that Toledo requires police officers to take assessment tests that evaluate the officer’s potential for employment. Lexington

A comparative analysis of the Lexington Police Department's disability pension plan and St. Paul do not require that police officers applying for disability pensions take any type of vocational assessment test.

Since there are differences in the eligibility criteria for Toledo's disability pension plan when compared to Lexington's and St. Paul's, the next step was to assess how much of an impact the differences have on the number of police officers who begin to receive disability pensions in a given year. At the Lexington police department, 46 percent of total pension recipients were awarded disability pensions between the years of 1996 to 2005. The St. Paul, Minnesota police department had eligibility criteria similar to Lexington, but they had a smaller percentage of pension recipients being granted disability pensions. 39.3 percent of total pension recipients were awarded disability pensions between the years of 1994 to 2005 in St. Paul, Minnesota. The Toledo, Ohio police department had disability pension eligibility criteria there were different from Lexington and St. Paul. At the Toledo, Ohio police department, 20.1 percent of total pension recipients were awarded disability pensions between the years of 1994 to 2005. Table 4 on the next page shows the percentage of total pension recipients who were awarded disability pensions for each city on an annual basis.

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Table 4

Percentage of total pension recipients who were awarded disability pensions

	Lexington, KY	St. Paul, MN	Toledo, OH
1994	N/A	11.7	6.8
1995	N/A	41.1	23.8
1996	16.6	16.6	14.2
1997	18.1	22.2	25.0
1998	20.0	71.4	27.2
1999	54.5	25.0	4.5
2000	30.7	57.1	22.7
2001	60.0	48.0	18.7
2002	45.4	36.0	38.4
2003	70.5	47.0	15.0
2004	55.8	80.0	20.0
2005	62.5	8.3	85.7
Average	46.0	39.3	20.1

Since differences were found when comparing the eligibility criteria of Lexington to Toledo, the next step is to examine the financial implications to the city of Lexington. The cost of disability pensions to the city of Lexington from 1996 to 2005 was approximately \$2.81 million. If Lexington had the same eligibility criteria as Toledo, Ohio during that period, Lexington would have spent approximately \$1.58 million less on

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disability pensions from 1996 to 2005. The calculations for this are broken down on an annual basis in Table 5. There is not an estimate for the city of St. Paul because it is assumed that the percentage difference above is a result of random chance since there were no major differences in eligibility criteria. The estimate assumes that differences in eligibility criteria explain the total difference in the percentage of officers receiving disability pensions.

Table 5

Annual cost of disability pensions for Lexington and the estimated cost of disability pensions if Lexington would have had the same eligibility criteria as Toledo

	Lexington disability pension cost *	Estimated Lexington disability pension cost if they utilized Toledo's eligibility criteria **
1996	\$69,293.36	\$83,567.79
1997	\$69,293.36	\$76,603.81
1998	\$138,586.72	\$139,279.65
1999	\$207,880.08	\$76,603.81
2000	\$138,586.72	\$90,531.77
2001	\$415,760.16	\$139,279.65
2002	\$346,466.80	\$153,207.62
2003	\$415,760.16	\$118,387.71
2004	\$658,286.92	\$236,775.41
2005	\$346,466.80	\$111,423.72
Total	\$2,806,381.08	\$1,225,660.94

* To get this number, I multiplied the number of disability pensions awarded each year by the average annual disability payment to Lexington police officers (\$34,646.68).

** To get this estimate, I first took the total number of officers who received a pension each year in Lexington and multiplied that number by .201 (the average percent of total pension recipients in Toledo who were awarded disability pensions). I then multiplied that number by the average annual disability payment to Lexington police officers.

Limitations

The study is limited in its ability to be generalized to any type of public service other than police departments. The study is limited to its applicability to cities with populations and violent crime levels similar to Lexington. Police duties vary from city to city because of economic and political situations in the city. This could cause police officers in one department to be more likely to be granted disability pensions.

The study is also limited because it uses a small number of comparison cities. Some of the data can be difficult to obtain from police departments or pension funds because these departments prefer that people not know how many people are receiving disability pensions from their department. I tried to get data from more cities, but it would take more time to be able to get the needed data from those cities.

For this study, it was assumed that any differences in the percentage of officers receiving disability pensions arose from differences in eligibility criteria. There would need to be a larger study done to be able to account for other things that might cause the differences in the percentage of officers receiving pensions who were awarded disability pensions.

The method used to estimate the financial implications to the city of Lexington has some limitations. The cost of disability pensions to the city of Lexington from 1996 to 2005 is accurate because I received the average disability payment for each of those years from the Lexington Police and Fire Retirement Fund. However, even this cost does not include items like the cost of health care. The estimate does not take into account the actual average disability payments for the cities of Toledo and St. Paul. It uses the

A comparative analysis of the Lexington Police Department's disability pension plan average disability payment in Lexington to calculate the hypothetical costs to the city of Lexington if they had the same percentage of officers going onto disability as Toledo and St. Paul. The dollar amounts should be a good estimate of the financial implications to the city of Lexington, but they use imperfect information. For my calculations, I assumed that the distribution of disability levels in Lexington would be similar to the levels in Toledo, Ohio.

It was not possible to acquire the actual impairment percentages of police officers in Lexington who receive disability pensions. This information could further validate my recommendations for the retirement fund. My study would have been much better if it had been possible to provide a chart outlining the distribution of the percent of disability claimed by disabled officers in Lexington.

Recommendations

Lexington should re-evaluate the way it grants disability pensions. Lexington should implement a disability pension system similar to that of Toledo, in which officers are awarded a partial disability benefit if physicians believe that the officer will be able to supplement their disability benefit with income from some kind of employment. Lexington should also implement some aspects of the Department of Veterans Affairs (VA) disability pension system. VA rates applicants for disability benefits in increments of 10 percent impairment, and the size of the benefit increases along with the size of the impairment. This would help make disability pensions seem less attractive to officers who have low impairment ratings.

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Lexington should provide specific details about what jobs an officer who is receiving a disability benefit cannot take in order to continue to receive benefits. The Ohio Police and Fire Pension Fund list 21 specific positions that cannot be held by an officer who is receiving a disability benefit.

The pension board in Lexington should implement reemployment rules similar to the city of St. Paul. They should also state that an officer who is receiving a disability benefit cannot exceed a certain dollar amount with their combined salary and disability benefit. The officer's combined salary and benefit should not exceed the officer's salary they were earning before becoming disabled or 125 percent of the salary currently being paid by their former employer for a similar position, whichever is higher. The disability benefit would be reduced by \$1 for every \$3 they receive above the limit.

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Appendix A: Calculations

81 = number of disability pensions awarded to Lexington police officers from 1996 to 2005

\$34,646.68 = average annual disability payment to Lexington police officer from 1996 to 2005

176 = number of total pensions awarded to Lexington police officers from 1996 to 2005

$81/176 = 46.0\%$ (percentage of Lexington police officer pension recipients who were awarded disability pensions from 1996 to 2005)

$111/282 = 39.3\%$ (percentage of St. Paul, MN police officer pension recipients who were awarded disability pensions from 1994 to 2005)

$40/199 = 20.1\%$ (percentage of Toledo, OH police officer pension recipients who were awarded disability pensions from 1994 to 2005)

$81 * \$34,646.68 = \$2,806,381.08$ (cost of disability pensions to Lexington from 1996 to 2005)

$176 * 0.201 = 35.376$ (estimated number of Lexington police officers who would have received disability pensions from 1996 to 2005 if Lexington had the same eligibility requirements as Toledo, Ohio)

$35.376 * \$34,646.68 = \$1,225,660.94$ (estimated cost of disability pensions to Lexington from 1996 to 2005 if Lexington had the same eligibility requirements as Toledo, Ohio)

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Appendix B: Lexington Police Department Pensions

Year	Service Retirement	Occupational Disability Pensions	Non-Occupational Disability Pensions	Total # receiving a pension	Average \$ amount of disability
1996	10	2		12	\$3,365.07
1997	9	2		11	\$3,306.86
1998	16	4		20	\$3,154.78
1999	5	6		11	\$2,434.05
2000	9	4		13	\$2,740.49
2001	8	11	1	20	\$3,277.27
2002	12	10		22	\$2,433.88
2003	5	12		17	\$2,373.53
2004	15	19		34	\$2,701.03
2005	6	10		16	\$3,085.27

Source: Lexington Police and Fire Retirement Fund.

Appendix C: St. Paul, Minnesota Police Department Pensions

Year	Service Retirement	Disability Pensions	Total # receiving a pension
1994	15	2	17
1995	10	7	17
1996	10	2	12
1997	14	4	18
1998	12	30	42
1999	48	16	64
2000	12	16	28
2001	13	12	25
2002	16	9	25
2003	9	8	17
2004	1	4	5
2005	11	1	12

Source: Public Employees Retirement Association of Minnesota.

Appendix D: Toledo, Ohio Police Department Pensions

Year	Service Retirement	Total & Permanent Disability	Partial Disability	Off-Duty Disability	Total # receiving a pension
2005	1	4	2	0	7
2004	4	1	0	0	5
2003	17	0	3	0	20
2002	8	2	2	1	13
2001	13	1	2	0	16
2000	17	4	1	0	22
1999	21	0	1	0	22
1998	8	1	2	0	11
1997	9	0	3	0	12
1996	18	2	1	0	21
1995	16	0	5	0	21
1994	27	0	2	0	29

Source: Toledo, Ohio Police Department.