

Adequacy of Disability Benefits for Minnesota Police Officers

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Introduction

- Study required from the legislature of the State of Minnesota – SF 1547
- **Focus:** Police officers
- **Benefits considered:**
 - Workers' compensation benefits – TTD, TPD, PTD, and PPD
 - PERA Police and Fire Plan – duty and total and permanent duty disabilities
- **Methods:**
 - Review existing benefits available for police officers
(Minnesota, Iowa, Wisconsin, Michigan, Ohio)
 - Gather perceptions of benefits and limitations of current benefits
 - Develop scenarios of current benefit levels

Findings from Interviews with Stakeholders

22 interviews with 31 individuals (Sep. 2022 – Jan. 2023)

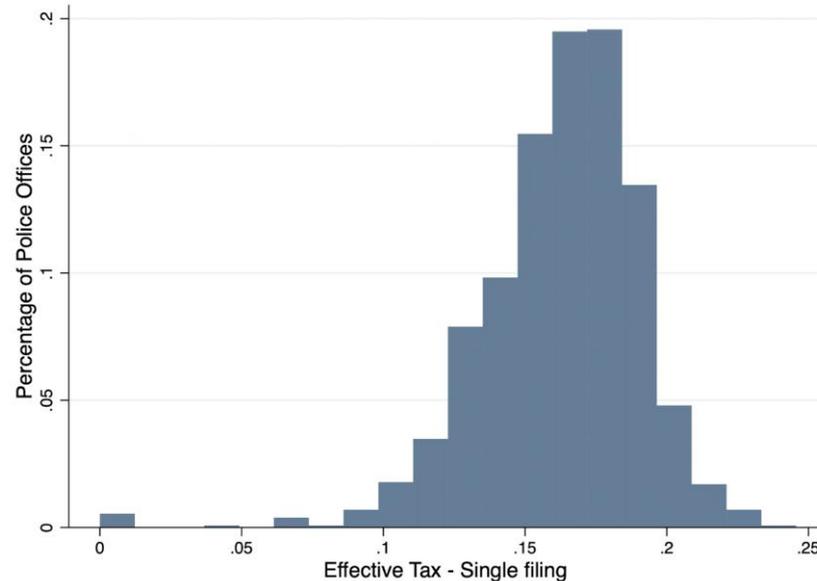
- Department of Labor and Industry (DLI)
- Public Employees Retirement Association (PERA)
- Law Enforcement Labor Services (LELS)
- Legislative Commission on Pensions and Retirement (LCPR)
- League of Minnesota Cities (LMC)
- League of Minnesota Cities Insurance Trust (LMCIT)
- Minnesota Counties Insurance Trust (MCIT)
- The cities of Minneapolis and Saint Paul
- Minnesota Bureau of Mediation Services
- Minnesota Chiefs of Police
- Police unions
- Law firms
- Police officers injured in the line of duty and spouses

Findings from Interviews with Stakeholders

Factors that enhance the adequacy of workers' compensation benefits

- Presumptions in the law
- Tax advantages

Effective Federal and MN State Income Tax Rate



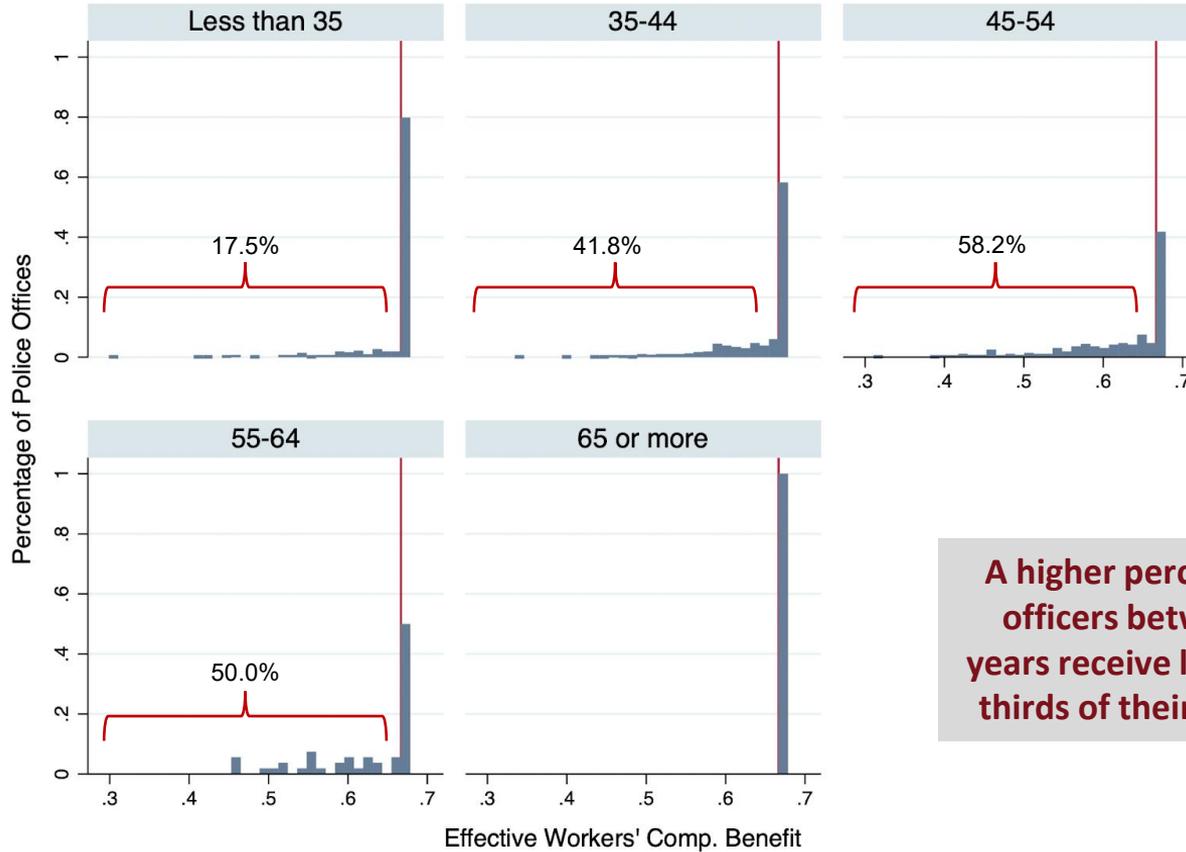
Findings from Interviews with Stakeholders

Factors that hinder the adequacy of workers' compensation benefits

- Weekly maximum compensation cap



Effective Weekly Workers' Compensation Rate by Age Group

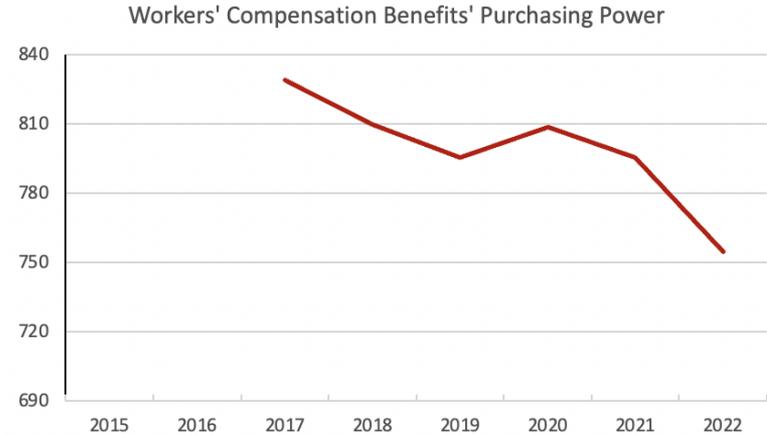
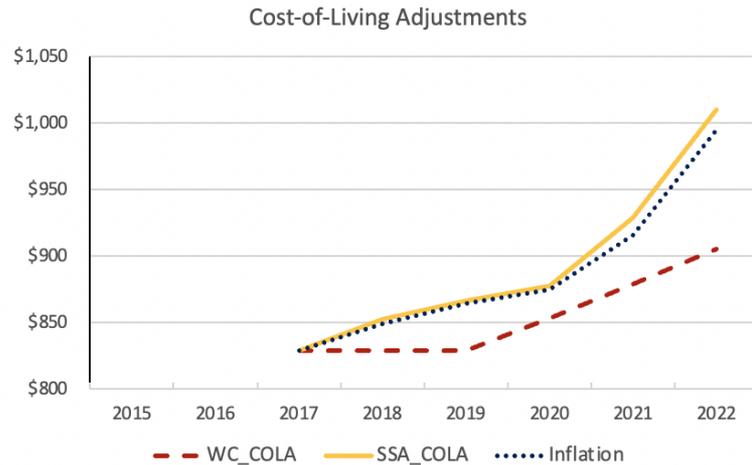


A higher percentage of police officers between 35 and 64 years receive less than the two-thirds of their pre-injury wage

Findings from Interviews with Stakeholders

- Cost-of-living adjustments

Workers' Compensation COLA and purchasing power



Findings from Interviews with Stakeholders

Factors that hinder the adequacy of workers' compensation benefits

- Fixed payments for permanent disabilities
 - Amount determined by statute
 - Not updated regularly (last updates: 2000 and 2018)
- Accommodations for returning to work
 - Employers often deny accommodations
 - This hinders the capacity of injured officers to access TPD benefits and attain pre-injury levels of income
- Settlements
 - Lower compared to not settling benefits
 - Not adequate if health conditions deteriorate over time

Findings from Interviews with Stakeholders

Factors that enhance the adequacy of PERA P&F benefits

- Overtime incorporated in the base salary
 - Considers income from a secondary employment with other employers contributing to the PERA P&F Plan
 - A year of overtime is mitigated by the high-five average salary used in the calculation of the benefit
- Lifetime benefits
 - Long-term compensation for young officers
 - Freezes salary for injured young officers
- Tax advantages
 - These officers would have paid an average of 16.3% of their salaries in federal and state income tax*
 - They would have contributed 11.8% to the PERA P&F Plan

Findings from Interviews with Stakeholders

Factors that hinder the adequacy of PERA P&F benefits

- Salary base

Age-Earning Curve vs High-Five Average Salary

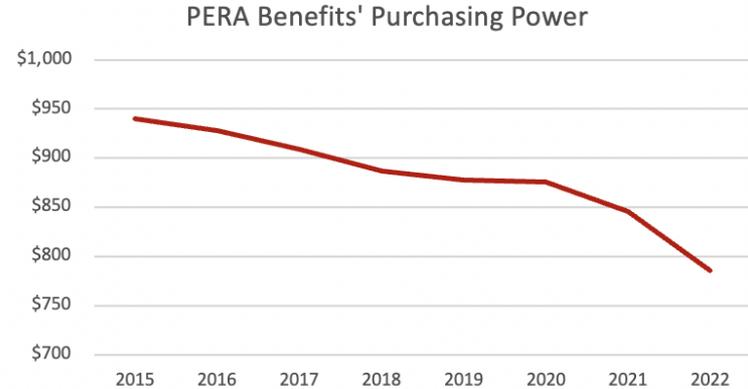
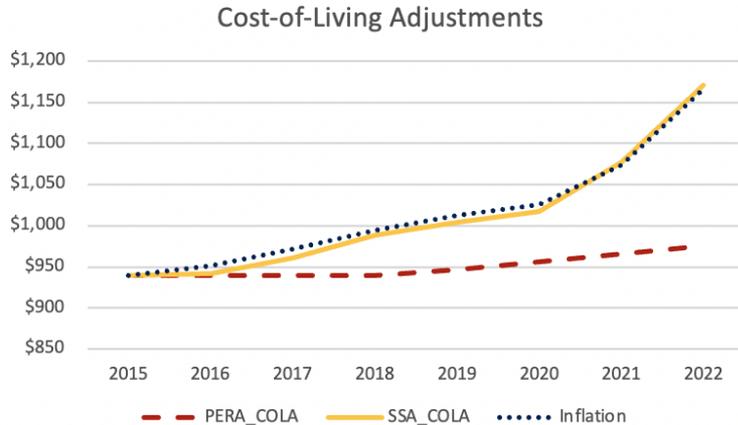


Findings from Interviews with Stakeholders

Factors that hinder the adequacy of PERA P&F benefits

- Cost-of-living adjustments

PERA P&F Benefits COLA and purchasing power



Findings from Interviews with Stakeholders

Factors that hinder the adequacy of PERA P&F benefits

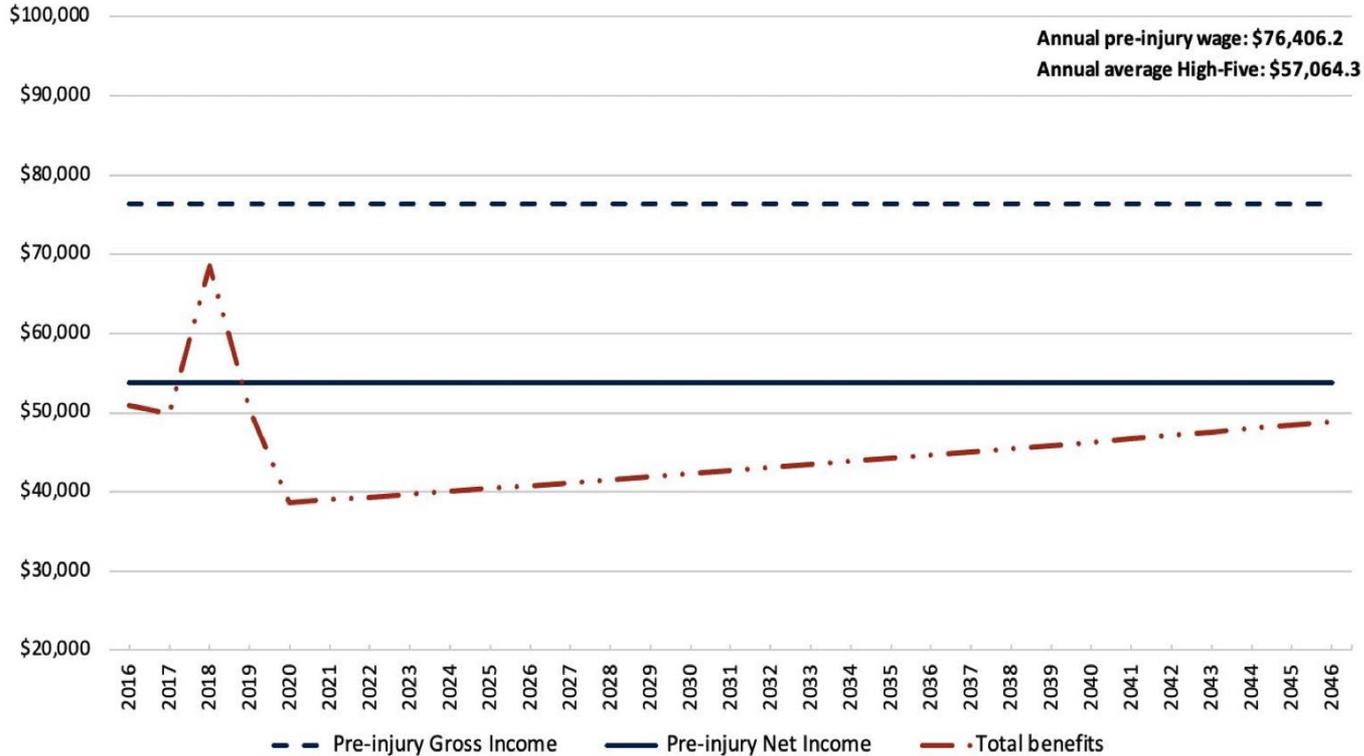
- Legal costs of consultations
 - The PERA process is complex and makes it difficult for the officers to access the benefits on their own
E.g., Law firms can charge \$8,000 for the initial determination, and \$5,000 to appeal the determination
- Lack of income while waiting for a determination
 - Police officers have to deplete their sick time, vacation time, savings, use short-term disability benefits (if available), and in some cases incur debt to be able to continue meeting their obligations while waiting for a determination
 - Retroactive payments exist but may not be sufficient to cover all the costs incurred (particularly interests of any loans due to the disability).

Scenario analysis for the adequacy of disability benefits

- **Scenario I:** Young and early career police officer
- **Scenario II:** Mid career officer
- **Scenario III:** Senior police officer (disability converted into retirement benefit)

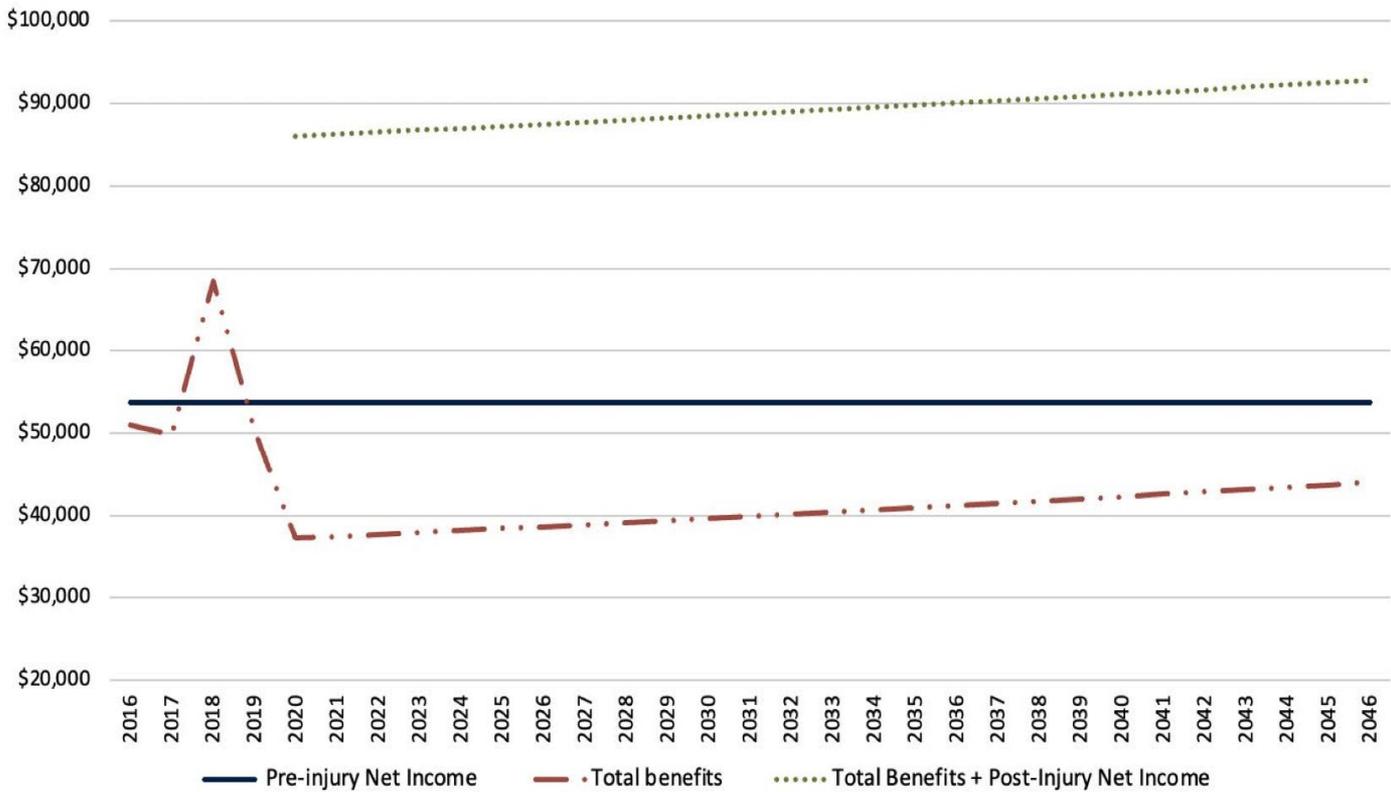
- **Case A:** Does not return to work
- **Case B:** Return to work (lower salary)

Scenario 1A: Young and early career police officer – Does not return to work



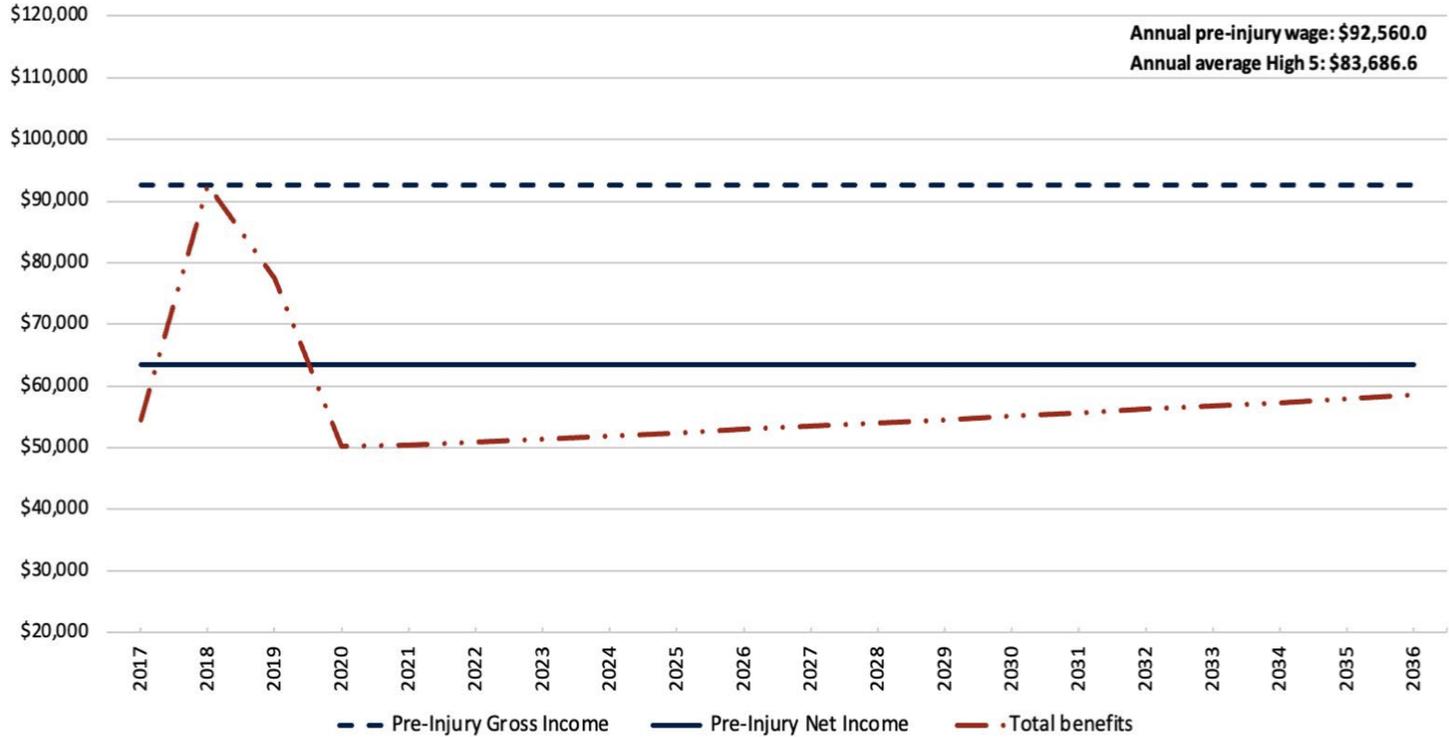
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46
% of GI	66.7	65.2	89.7	65.8	50.6	51.1	51.5	52.0	52.5	52.9	53.4	53.9	54.4	54.9	55.3	55.8	56.3	56.9	57.4	57.9	58.4	58.9	59.5	60.0	60.6	61.1	61.7	62.2	62.8	63.4	64.0
% of NI	94.7	92.7	127.4	93.5	71.9	72.6	73.2	73.9	74.5	75.2	75.9	76.6	77.3	77.9	78.7	79.4	80.1	80.8	81.5	82.3	83.0	83.8	84.5	85.3	86.1	86.9	87.6	88.4	89.3	90.1	90.9

Scenario 1B: Young and early career police officer – Returns to work



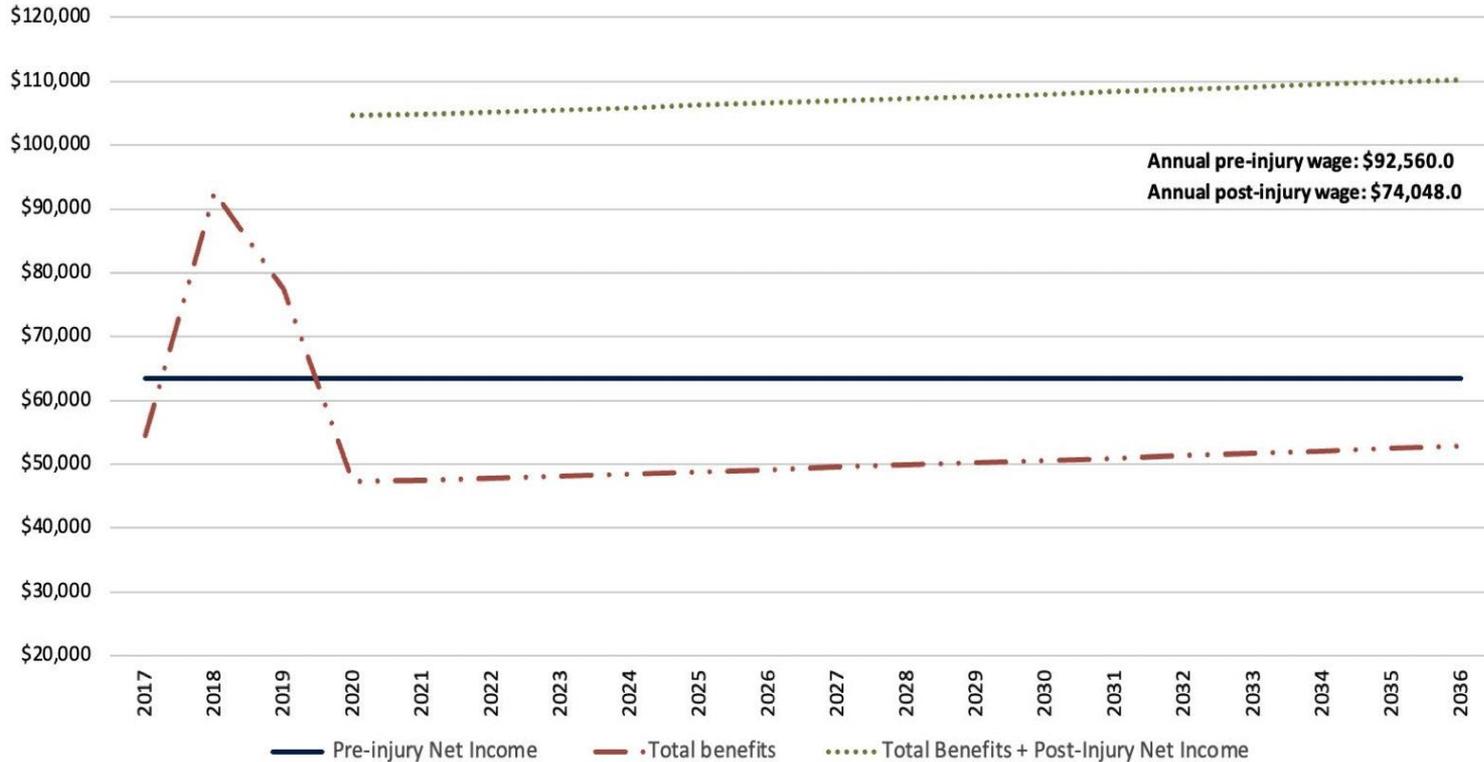
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46
% of GI	66.7	65.2	89.7	65.8	48.7	49.0	49.4	49.7	50.0	50.3	50.6	50.9	51.2	51.6	51.9	52.2	52.6	52.9	53.2	53.6	53.9	54.3	54.7	55.0	55.4	55.7	56.1	56.5	56.9	57.3	57.6
% of NI	94.7	92.7	127.4	93.5	69.3	69.7	70.1	70.6	71.0	71.5	71.9	72.4	72.8	73.3	73.8	74.2	74.7	75.2	75.7	76.2	76.7	77.2	77.7	78.2	78.7	79.2	79.7	80.3	80.8	81.4	81.9

Scenario 2A: Mid career police officer – Does not return to work



	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
% of GI	58.8	100.0	83.6	54.2	54.4	55.0	55.5	56.1	56.6	57.2	57.8	58.4	58.9	59.5	60.1	60.7	61.3	61.9	62.6	63.2
% of NI	85.7	145.8	121.9	79.1	79.3	80.1	80.9	81.7	82.6	83.4	84.2	85.1	85.9	86.8	87.6	88.5	89.4	90.3	91.2	92.1

Scenario 2B: Mid career police officer – Returns to work



	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
% of GI	58.8	100.0	83.6	51.2	51.3	51.6	52.0	52.4	52.8	53.1	53.5	53.9	54.3	54.7	55.1	55.5	55.9	56.3	56.7	57.1
% of NI	85.7	145.8	121.9	74.6	74.8	75.3	75.8	76.4	76.9	77.5	78.0	78.6	79.1	79.7	80.3	80.9	81.5	82.1	82.7	83.3

Scenario 3: Senior police officer (disability and retirement benefit)



	17	18	19	20	21	22	23	24	25	26	27
% of GI	94.9	94.9	95.6	96.4	94.6	83.1	83.8	84.6	84.7	84.6	84.5
% of NI	136.2	136.2	137.1	138.4	132.6	106.5	107.5	108.4	108.5	108.3	108.1

Key takeaways from the scenario analysis

- Officers that are not able to return to work rely on the disability benefits as their source of income
 - Disability benefits may not be adequate for them, especially for young police officers
- Disability benefits and re-employment earnings put the officer in a better financial position compared to those who are not able to return to work
- The disability benefits for senior police officers with more than 20 years of service may be higher than the pre-injury net salary

Thank you!

Questions or Comments?

