

# **Retirement Board Regular Meeting**

Sacramento County Employees' Retirement System

MEETING DATE:	September 19,	2018	Agenda Item 16
SUBJECT:	Annual Report on Disability Retirement Application Processing		
SUBMITTED FOR:	Consent	Deliberation and Action	Receive X and File

### RECOMMENDATION

Staff recommends that the Board receive and file this annual report for the fiscal year ended June 30, 2018.

# <u>PURPOSE</u>

This item supports the 2018-19 Strategic Management Plan to enhance the services provided to SCERS' customers by improving efficiency, effectiveness, and accountability. This item supports those efforts by reporting on the Disability Retirement Applications resolved during the past fiscal year, reviewing average processing times, and providing updates on administrative changes and/or other improvements planned for the current fiscal year.

# BACKGROUND

Prior to the approval of changes to the SCERS Bylaws in February 2018 and the finalization of new Disability Retirement Procedures in June 2018, Disability Retirement Applications were filed, evaluated, and adjudicated in accordance with Chapter 5 of the SCERS Bylaws. Because the former Bylaws required an annual assessment of disability retirement activity, Staff were already accustomed to compiling certain statistics every year and reporting to the Board.

By completing this report for the latest fiscal year and continuing the practice into future years, Staff hopes to keep the Board informed of processing trends and identify future opportunities for improving SCERS' Disability Retirement Procedures.

#### DISCUSSION

Staff has reviewed the Disability Retirement Applications that concluded during the fiscal year ended June 30, 2018 and provided statistical information on the following page.

During the fiscal year ended June 30, 2018, Staff concluded roughly the same number of applications that they have in each of the preceding two years:

### Annual Period Ended 6/30/2018

- 51 Applications Concluded (16 NSCDR and 35 SCDR):
- 24 Staff Recommendations for Approval
- 1 Proposed Decision for Approval
- 18 Proposed Decisions for Denial
- 8 Withdrawn Applications

### Average Processing Time: 1 Year, 7 Months

In comparison to recent years, however, staff recommendations were down slightly, while average processing times continued to show steady improvement:

### Annual Period Ended 6/30/2017

- 56 Applications Concluded (18 NSCDR and 38 SCDR):
- 30 Staff Recommendations for Approval\*
- 0 Proposed Decisions for Approval
- 17 Proposed Decisions for Denial\*
- 9 Withdrawn Applications

Average Processing Time: 1 Year, 9 Months

#### Annual Period Ended 6/30/2016

- 50 Applications Concluded (16 NSCDR and 34 SCDR):
- 21 Staff Recommendations for Approval
- 2 Proposed Decisions for Approval
- 23 Proposed Decisions for Denial\*
- 4 Withdrawn Applications

# Average Processing Time: 2 Years, 0 Months

To explain the steady output during the years under review and the decreasing processing times, Staff noted that more applications are being withdrawn ahead of hearing than in past years. More importantly, SCERS recently engaged a Medical Advisor to review applicant records and offer clinical analysis to support or refute individual benefit requests. In February 2016, the General Counsel obtained approval to contract with an external Medical Advisor and, in May 2016, the Chief Benefits Officer began routing applications to the current Medical Advisor.

# **OBSERVATIONS**

As indicated, the number of applications resolved by staff recommendations during the past fiscal year was in line with recent fiscal years. This trend was accompanied by a continued shift in production away from the Chief Benefits Officer and toward subordinate staff.

#### Applications Processed by Staff & Submitted with Recommendations for Approval

- 1 Staff Recommendation by Chief Benefits Officer Average Processing Time: 1 Year, 7 Months
- 12 Staff Recommendation by Disability Specialist "A" *Avg. Processing Time: 1 Year, 2 Months*
- 11 Staff Recommendation by Disability Specialist "B" *Avg. Processing Time: 0 Years, 10 Months*

Going forward, the shift in production and change in certain work assignments, as well as the implementation of new Disability Retirement Procedures and the development of new benefit publications and new processing expectations, should yield a higher number of staff recommendations in coming years.

For the fiscal year ended June 30, 2018, the number of applications that were not adequately supported by medical evidence and, thus, scheduled for hearing (as required by the Bylaws still in effect for 2018) produced a higher number of proposed decisions. As shown below, however, the difference in average processing or adjudication times among SCERS' legal service providers was much larger than what had been observed in prior fiscal years:

#### Applications Adjudicated & Resolved by Proposed Decision during Fiscal Year

- 12 Proposed Decisions Procured by County Counsel (1 Approval, 11 Denials) Average Processing Time: 3 Years, 3 Months
- 7 Proposed Decisions Procured by Outside Counsel "A" (0 Approvals, 7 Denials) Average Processing Time: 1 Year, 8 Months

In addition to the proposed decisions reviewed above, these legal service providers represented SCERS in a number of pre-hearing processes, which concluded when applicants elected to withdraw their applications "with prejudice" (meaning that each one of the affected applicants was precluded from filing another application for the same injury or condition at a future point in time). For reference, County Counsel arranged for two applicants to withdraw in lieu of attending hearing and outside counsel arranged for two other applicants to withdraw under the same circumstances.

As the Board is aware from experience and from reports prepared for prior fiscal years, Staff continue to work on cases in which the timeframe required for hearing is affected by factors beyond SCERS' control. While it is anticipated that the Disability Retirement Procedures shared with the Board in June 2018 will reduce the frequency and scale of applicant-based delays, Staff will continue to monitor adjudication times and modify the procedures as needed to achieve fair and timely outcomes for all parties.

#### **OPPORTUNITIES & CHALLENGES**

Staff is working to finalize a new application, new resource materials, and new member communications, all of which will reflect the process changes embedded in the Disability Retirement Procedures. As these items are deployed in the coming weeks, Staff expects to see ongoing improvement in processing times and a significant reduction in hearings, since they will

no longer be required in order to deny disability retirement applications that are not supported by a preponderance of the medical evidence.

As the referenced materials are finalized and released to applicants, Staff will need to become accustomed to a new set of deliverables and deadlines. In doing so, Staff will also need to become accustomed to submitting a higher number of action items for consideration by the Board each month. To ensure that these new procedures are a success and that SCERS delivers on a greater number of commitments to disability retirement applicants, Staff will need to monitor workflow regularly and leverage new tools and applications, including a new database that will consider disability retirement data logged for the past 12 years and expand internal tracking and reporting capabilities.

Prepared by:

/S/

John W. Gobel, Sr. Chief Benefits Officer \_\_\_\_\_

/S/

Robert L. Gaumer General Counsel

Reviewed by:

/S/

Eric Stern Chief Executive Officer