



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 19, 2001

TO: Supervisor Zev Yaroslavsky, Chairman
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
DISABILITY CLAIMS RETIREMENT REVIEW**

On November 28, 2000, the Auditor-Controller issued a report on service-connected disability retirement claims filed by the County's safety members. On December 19, 2000, the Board of Supervisors directed the Auditor-Controller to initiate an independent review of the Los Angeles County Employees Retirement Association's (LACERA) administration of disability claims. The review was conducted by KPMG LLP (KPMG) under contract with the Auditor-Controller, and their report (attached) was completed on December 14, 2001.

The Board of Supervisors requested the review, which focused on LACERA's compliance with disability application policies and procedures, confidentiality requirements, adequacy of and compliance with investigatory procedures and contractor (i.e., referees, physicians, attorneys) selection processes. The review also evaluated the effectiveness of LACERA's use of inside counsel and the timing with which Administrative Appeal Hearings are scheduled in the claims process. Finally, KPMG evaluated LACERA's reporting capabilities and conducted a best practices review of other organizations of similar size and complexity.

Summary of Findings

Overall, KPMG found LACERA to be in compliance with established policies and procedures. They also found LACERA's use of inside counsel to be effective, and the timing with which Administrative Appeal Hearings are held to be appropriate. KPMG did make the following observations and recommendations for improving the existing operations:

- Although LACERA reports that there has not been a breach of its confidentiality procedures, KPMG recommends LACERA institute a program that documents its confidentiality procedures, improves them as necessary, and regularly tests their effectiveness.
- KPMG reports that because of the size of LACERA's membership, the statutes relevant to disability matters, and the complexity of the issues involved, there is a need for continuous and focused legal counsel. Because of this, KPMG supports LACERA's continued use of an in-house Litigation Office. However, KPMG recommends LACERA develop a formal approach that addresses the measurement of its Litigation Office effectiveness and efficiency.
- KPMG noted that while LACERA has the capability of reporting on a wide variety of work activities and the nature of the disability applications it receives, it does not review statistics that measure the effectiveness and efficiency of its disability operations on a regular and systematic basis. Accordingly, KPMG recommends LACERA develop and incorporate workload data into its decision making regarding effectiveness and efficiency, and in decisions affecting the development and approval of its annual budget. KPMG further recommends the Division commence this project by developing a small number of indicators so that the collecting and reporting of this data does not become a burden that interferes with its focus on serving disability applicants.
- KPMG conducted a best practices review of other organizations of similar size and complexity. Based on this review, KPMG recommends LACERA reevaluate the need for sub rosa investigations (i.e., private investigations to determine the validity of claimants injuries) in the claims process. LACERA's analysis should consider the risks of not conducting sub rosas in comparison to the costs for conducting them.

Details of these and other findings are discussed in the attached report.

LACERA's response, which indicates general agreement with the auditors' findings and recommendations, is included in the attached report.

Please call me if you have any questions, or your staff may contact Patrick McMahon at (213) 974-0729.

JTM:PTM:TK

Attachment

c: Los Angeles County Employees Retirement Association
Marsha Richter, CEO
Sylvia Miller, Manager, Disability Services Division
David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**PREPARED FOR THE
COUNTY OF LOS ANGELES
AUDITOR-CONTROLLER**

**LOS ANGELES COUNTY
EMPLOYEE RETIREMENT ASSOCIATION
DISABILITY CLAIMS RETIREMENT STUDY**

December 14, 2001

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December 14, 2001

Mr. J. Tyler McCauley
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Re. Work Order Request No5-86, LACERA Disability Retirement Claims Administration Study

Dear Mr. McCauley:

KPMG LLP (KPMG) is pleased to present this final report on the results of the LACERA Disability Retirement Claims Administration Study (the "Study"). The delivery of this report marks the conclusion of KPMG's services for the Study.

KPMG appreciate the opportunity to provide this service to the County of Los Angeles. We particularly wish to thank Terri Kasman on your staff for her guidance and assistance on this project.

We also appreciate the cooperation that we received from the LACERA Retirement Board with whom we met, Les Robbins, Chairman; Warren Bennett, Vice Chairman; Simon Russin, Secretary; and Mark Saladino. We also appreciate the cooperation we received from the entire Board in allowing us access to all areas of LACERA that were necessary in order for us to complete this project.

At LACERA, we particularly want to thank Sylvia Miller, Manager of the Disability Services Division for her cooperation. The focus of this project centered on the operations of this Division that she manages. Consequently, we spent a significant amount of time interviewing Sylvia and her staff, or requesting a variety of information that was housed in the Division.

We also wish to thank other LACERA staff for their assistance: Marsha Richter, CEO; David Muir, Chief Counsel; and Dan McCoy, Chief Counsel Disability Litigation Office.

Included within this report is LACERA's response to KPMG's Draft Final Report.

Should you have any questions regarding this report please do not hesitate to contact us.

Sincerely,

KPMG LLP



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AUDITOR-CONTROLLER**

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LACERA DISABILITY CLAIMS RETIREMENT STUDY

I. INTRODUCTION

The County of Los Angeles Auditor-Controller contracted with KPMG LLP (KPMG) to “conduct a review of certain activities and issues of the Los Angeles County Employee Retirement Association (LACERA) that pertain to disability retirement applications.” This project commenced on July 21, 2001.

The specific tasks that KPMG was requested to perform and issues that it was to address are stated in KPMG’s Agreement with the Los Angeles County Auditor-Controller and are listed below.

- A. Achieve the following determinations regarding disability application policies, procedures and practices:
 - Compliance with internal policies and procedures.
 - The appropriateness of claim file and claim Board decision documentation.
 - Adequacy of medical and other evaluations.
- B. Review, evaluate, and test LACERA compliance with established policies and procedures for:
 - Investigating disability applications, and whether investigatory procedures appear adequate.
 - Selecting and utilizing contract services such as attorney/referees and physicians.
 - Following-up cases where disability retirements have been granted that are somewhat “questionable” in nature, such as when the applicant is very young, the injury is difficult to diagnose (i.e., “stress” cases), the injury occurred many years ago, etc.
 - Documenting results in claim files, including the basis for making final decisions.
- C. Evaluate whether LACERA use of inside counsel is more effective than using County Counsel.
- D. Evaluate whether the use of a full hearing prior to review by the Retirement Board (i.e., upon staff’s recommendation to oppose the application) would provide for a more independent and efficient process.
- E. Review and evaluate the adequacy of LACERA reporting capabilities pertaining to disability applications (e.g., number approved, number denied, numbers and type of injuries incurred, etc.).
- F. Conduct a benchmarking and best practices review of the claims administration process, including organization, operations and practices, and performance, to other organizations of a similar mission, size and complexity and identify changes that would improve LACERA operations. Final selection of the entities to be benchmarked and the methodology would be done in close collaboration with the County and LACERA representatives.

II. EXECUTIVE SUMMARY

This Executive Summary summarizes and highlights key findings, conclusions and recommendations of our report.

❑ Adherence to Disability Application Policies and Procedures

To determine adherence to disability application policies and procedures, KPMG identified the following major Disability Services Division functions:

1. Disability application intake
2. Initial investigative review
3. Medical appointment setup and subsequent receipt of medical examination report
4. Second investigative review
5. Division review by a Disability Retirement Specialist, review by Disability Retirement Specialist Supervisor, and review by the Division Manager
6. Board Review
7. Reporting of the Board's decision to the LACERA member who applied for disability benefits.

We also interviewed Disability Services Division staff, reviewed Division policies and procedures documents, and examined a variety of disability application files. KPMG then established 18 criteria to apply to our evaluation of LACERA files. Upon the development of these major Division functions and evaluation criteria, we selected 50 disability application files representing a cross section of disability application types. For each file we conducted an in-depth review by applying the criteria we had established.

KPMG found the Division files that we reviewed to be complete pursuant to LACERA policies, procedures and practices. All required relevant documents and information were in the files we reviewed. The files themselves were consistently organized in the same manner for all types of applications. All actions taken by the Board were documented in the files. Medical evaluations provided by LACERA consulting physicians met LACERA requirements for completeness.

❑ Privacy of Disability Application Files

LACERA places a high value on the confidentiality of member files and has procedures in place to protect confidentiality. According to LACERA staff there has not been a breach of its confidentiality procedures. This fact is an indication that the procedures in place are effective. On the other hand, there may have been confidentiality procedure breaches of which LACERA staff are not aware. We also discovered that LACERA does not undertake regular or periodic tests to confirm the effectiveness and integrity of procedures for maintaining the confidentiality of hard copy and electronic disability applicant information or to determine if there has been unauthorized access.

Recommendation

The financial and public relations related risks associated with LACERA's confidential information are significant. In this light, LACERA should institute a program that documents its confidentiality procedures and practices, improves them as necessary, and that regularly tests their effectiveness.

❑ Investigatory Procedures

The Disability Services Division's investigatory procedures appear to be adequate. All relevant information required to make an informed and reasonable decision on an application for disability retirement is available to the Board. Additionally, the Board has the authority and flexibility to ask for additional information on disability applications and modify relevant LACERA policies, procedures and practices if it believes there is additional information that it should incorporate into its deliberations.

❑ Selecting and Using Referees and Physicians

Referees

LACERA's referee recruitment and selection policies, procedures and practices are based on the objective of providing an impartial process and venue for disability applicants to appeal Board decisions. LACERA has adequate policies and procedures for selecting and utilizing referees. KPMG found that LACERA adheres to these policies and procedures.

The utilization of referees essentially pertains to their role as an impartial venue for obtaining all relevant information, including newly available information, and making a decision based on that information and pertinent legal statutes that govern how an Appeal Hearing shall be conducted. Also important are those statutes that govern LACERA operations, in particular the granting of disability retirement benefits. Our review of LACERA documents and files, interviews with LACERA staff and applicant attorneys, and observation of Board meetings did not uncover any instances where there was a bias against the full review of all relevant information by referees, nor any deviance from established LACERA policies and procedures.

Another Viewpoint. There is also a point of view, albeit in the minority, that believes that LACERA's use of in-house referees tarnishes member perceptions of LACERA and the disability retirement application process. It creates the perception, according to this point of view, that LACERA's disability application process is not entirely impartial. This point of view believes that the entire appeal process should be undertaken by an outside firm, such as a firm that provides arbitration services. One of the non-37 Act organizations we interviewed as part of our best practices study uses the services of an outside firm and finds it to be very effective.

Physicians

LACERA's physician recruitment and selection policies, procedures and practices are based on the objective of obtaining qualified and objective medical determinations regarding the ability of disability applicants to perform their job duties. Our review of LACERA documents and files, interviews with LACERA staff and applicant attorneys, and observation

of Board meetings did not uncover any instances where there was a bias against the full review of all relevant medical information, nor any deviance from established LACERA policies and procedures.

We should also note that the Board, and LACERA staff, devotes a substantial amount of time to reviewing and discussing the medical reviews of disability applicants. Within its legal and administrative framework, LACERA devotes considerable resources to ensuring that all relevant medical information is obtained and reviewed before the Board makes a decision.

❑ **Subsequent Year Follow-up on Questionable Cases**

Our examination of LACERA files determined that LACERA does keep track of these cases and conducts a review of the member's condition at the 1 or 2 year benchmark as directed by the Board.

❑ **Litigation Office Effectiveness**

LACERA staff, and 3 of the 4 Board members interviewed, clearly believe that the Litigation Office is effective and in the best interests of LACERA's members; and that it enhances the Board's fiduciary responsibilities. From a quantitative perspective there is evidence that the number of appeals has declined since the Litigation Office commenced operations; however it could not be ascertained if the decline was due to Litigation Office actions or other variables.

It should also be kept in mind that there will be legal counsel, whether it be lawyers from the County Counsel office, an outside law firm or the LACERA Litigation Office representing LACERA at Appeal Hearings. Given the significant size of LACERA's membership (over 93,000) and the volume of disability applications processed (480 last year), the current case load of about 79 cases, the specific statutes and plan documents relevant to disability matters, and the complexity of issues involved in these cases, there is a need for continuous and focused legal counsel services. The facts support the use of an in-house Litigation Office.

Point of View This point of view believes that LACERA should be totally neutral when there is an appeal, and the use of LACERA litigation counsel is evidence of a lack of neutrality. According to this point of view, instead of an in-house litigation office, the duties of representing LACERA should be undertaken by Los Angeles County Counsel.

Recommendation

LACERA should develop a formal approach that addresses the measurement of Litigation Office effectiveness and efficiency. Over time, this information will be helpful to LACERA. It will allow management to know where they are going and when they have arrived at a goal. It will help to answer the question, "how well are we doing?" Performance information will be helpful in determining where to direct improvement efforts, adjusting for changing resources, managing results, and evaluating the performance of staff. It may also want to collect statistics that address member perceptions of the Litigation Office.

□ **Administrative Hearing: Its Best Location in the Disability Application/Decision Process**

The alternative procedure under consideration in this study would place the appeal hearing prior to any review of a disability retirement application by the Board. Under this scenario, if LACERA staff will be recommending that the disability application be denied, the applicant would be so notified of staff's recommendation. The applicant would then have the option to request a hearing before a LACERA referee with the intention of obtaining a recommendation to the Board by the referee for disability benefits. Based on an evaluation of all information, the referee would make a recommendation to deny or approve disability benefits to the Board. If a referee were to agree with the staff's decision and make that recommendation to the Board to deny disability retirement, there would not be an opportunity for the applicant to have another administrative hearing.

We spent a substantial amount of time considering this alternative and have also discussed it with LACERA Board members and staff. The information and evidence that we have reviewed does not substantiate a procedural change for the following reasons:

- The Board would still be required to review a recommendation, whether it came from LACERA staff or a referee.
- There would still be an administrative Appeal Hearing, whether it occurs prior to, or after, Board review.
- Staff work, including a medical examination, related to gathering and analyzing relevant facts would still be the same.

Additionally,

- Periodically, the Board approves disability retirement benefits, when staff has recommended denial of the disability retirement application. If the Appeal Hearing were to occur prior to Board review, there would periodically be Hearings that would not have otherwise been necessary.
- The overall time frame from the point in time that staff makes a recommendation through a decision by the Board could contract. A contracted time period would allow less time for additional medical information favorable to the applicant to become available, particularly from the workers compensation process. Thus, LACERA would face situations in which its members would reapply for disability retirement upon the availability of the new medical information, thus compelling staff and the Board (possibly a referee also) to do additional work and case review.
- This procedural change would preclude the Board from reviewing a case as soon as its staff, i.e. Disability Services Division employees, had completed their work. It was the consensus of LACERA Board members and staff interviewed that it was appropriate that staff report its findings to a decision making body, i.e. the Board, immediately upon the conclusion of their work. There was no benefit derived by placing an Appeal Hearing as the next step.

This is a logical point in the process for the applicant to find out the status of her/his application, i.e. the Board's decision. In making a decision, the Board has the discretionary authority to send the application back to staff for further investigation, approve staff's recommendation to approve or deny the application, or reject staff's recommendation to approve or deny the application.

□ Reporting Capabilities

LACERA has the capabilities to report on a wide variety of work activities and the nature of disability applications it receives. This was confirmed by our observations of LACERA data and discussions with staff and Board members that collect, report and/or use the data. On a regular basis, the Disability Services Division manager reviews the specific workload of the disability specialists to ensure that cases are being expeditiously and correctly processed. The two primary reports used are the Pending Cases Report and the Monthly Statistics Worksheet.

However, on a regular and systematic basis LACERA does not review statistics that measure the efficiency and effectiveness of its disability processing and disposition activities. For example, information is not collected and reviewed that measures Disability Division staffing levels compared to overall case load; nor is there any measurement of Division workload for certain types of disability applications in relation to staffing levels. Equally important, there is no systematic review of this kind of information on a historical basis. For example, it is not incorporated into decision making that affects staffing levels and the Division's budget.

Recommendation

The Importance of Measuring Performance Effectiveness and Efficiency. Measurement helps managers make better decisions and then lets them know how good or bad those decisions were. Measurement brings attention to a program; certainly more attention than if it were not being measured. Measurement also lets managers know where they are going and when they have arrived at a goal.

KPMG recommends that the Division develop and incorporate workload data into its decision making regarding effectiveness and efficiency, and in decisions affecting the development and approval of its annual budget. We further recommend that the Division commence this project by developing a small number of indicators so that the collecting and reporting of this data does not become a heavy burden that interferes with its focus on serving disability applicants. As time goes on, it can add to and refine this initial set in order to improve the quality of its decision making. We should also add that workload statistics should not be the sole criteria for Division decision making. They are only one element, albeit an important one, in an array of relevant factors that are both qualitative and quantitative. Below, we have listed some effectiveness and efficiency measures which may be useful to LACERA.

- a) Effectiveness measures: They measure the extent to which the service provided meets the expectations of the customer. This could include measures of:
- Coverage
 - Accomplishment
 - Quality
 - Customer Satisfaction
- b) Efficiency measures: They measure the efficiency of a process or service. Efficiency measures include:
- Per unit costs
 - Cycle time
 - Response time
 - Backlog
 - Per unit FTE's
 - Staffing ratios
 - Per unit equipment utilization

□ **LACERA Expenditures**

LACERA expenditures in FY2000-2001 for disability related services was \$2,359,259, according to the LACERA FY 2000-2001 Budget Control Report. Of this amount, \$1,234,778 was for salaries and employee benefits and \$1,124,481 was for services and supplies. On an annual basis, the Disability Services Division processes approximately 480 applications. Thus LACERA is spending \$4,915 per disability application.

□ **Benchmarking**

We found that there was significant similarity between LACERA and the other organizations surveyed, in terms of workload and staffing levels. There were 2 areas with dissimilar findings. The level of disability applications received from public safety members was greater than the level of public safety disability applications received by the surveyed organizations. LACERA public safety disability applications are at 0.5% of total membership (excluding Plan E members); the average for all organizations is 0.2%. Also, the relative level of disability applications received by LACERA from public safety and general members was significantly different from the surveyed organizations. LACERA received a relatively high level (60% of total disability applications) of disability applications from safety members for the 12 months for which statistics were available.

These kinds of statistics will become more useful by being collected and analyzed annually, on an ongoing basis. LACERA and other participating 37 Act organizations would then have a valuable resource to use in evaluating their efficiency and effectiveness. Viewing this information on a historical basis, and from year to year, will yield a higher level of insights than the one year snapshot taken for this study.

Regarding operational topics we found that LACERA is more advanced than the other organizations surveyed in terms of having more formal, systematic and structured approaches to carrying out day to day disability application processing activities.

□ Best Practices

The objective of our Best Practices task was to identify relevant (to this Study) procedures and practices of other organizations of similar size and complexity to LACERA that may be of interest to the Auditor-Controller's Office and LACERA. A review of these other organizations provides an opportunity to step back and consider why LACERA has certain practices in place and whether or not there may be a better (more efficient and/or effective) way to achieving an organization objective.

KPMG staff met with the Administrator of the San Diego Employees' Retirement Systems, the Assistant General Manager and the Senior Management Analyst II (who manages the disability application function) of the Los Angeles City Employees' Retirement System, and the Executive Officer/Assistant General Manager and the Pension Claims Officer of the Los Angeles Fire and Police Pension System.

There were 4 areas that we have focused most of our attention: physical examinations, sub rosa investigations, administrative appeals, and litigation legal counsel.

1. Physician Examinations

San Diego System. The San Diego System does not have a panel of physicians that it uses for medical examinations. It requires that a disability applicant provide, at the commencement of the disability application process, a medical examination report from the member's physician that sets forth the nature of the medical problem, its relationship to job duties and responsibilities, and that the medical problem prevents the employee from carrying out those job duties and responsibilities.

Los Angeles Fire and Police System. The Los Angeles Fire and Police System has a panel of physicians and requires that each respective medical problem reported by a disability applicant receive 3 medical examinations by 3 respective physicians.

Los Angeles City Employees' Retirement System. The Los Angeles Employees' Retirement System has a panel of physicians and requires that each respective medical problem reported by a disability applicant receive 3 medical examinations by 3 respective physicians.

Conclusion and Recommendation. LACERA should consider and further investigate the possibility of not providing physical examinations. There is the potential to save money by not having a LACERA panel physician examine the disability applicant. It should be noted that LACERA's annual costs for medical examinations has declined from \$904,563 in FY1998-1999 to \$811,588 in FY2000-2001

2. Sub Rosa Investigations

San Diego System. The San Diego System does not use sub-rosa investigations. It believes that there is no substantial benefit from them and that the disability applicant's case should rely on medical evidence provided by the member's physician and reviewed by the System's Medical Review Officer.

Los Angeles Fire and Police System. The Los Angeles Fire and Police System uses sub rosa investigations when they are warranted, on a case by case basis. The System believes it is important to use sub rosa's when necessary to ensure due diligence and ensure that there are no abuses.

Los Angeles City Employees' Retirement System. The Los Angeles City Employees' System does not use sub-rosa investigations. They believe there is not a substantial problem that would warrant the use of sub rosa investigations. It was pointed out by System staff that disability benefits, at 33% of last annual compensation, may be a mitigating factor in an applicant considering subterfuge.

Conclusion and Recommendation. LACERA should reevaluate the need for sub rosa investigations. The focus of such an analysis should consider the risks of not conducting sub rosa's in contrast to the costs for conducting them. Currently, LACERA's annual costs for sub rosa investigations is \$133,481. This should be balanced against the risks associated with not conducting sub rosa's.

3. Administrative Appeals

San Diego System. If an applicant disagrees with the Board decision, an administrative appeal can be requested. The San Diego System uses a private adjudication company for these appeals. It has used this method for 6 or 7 years.

Los Angeles Fire and Police System. The Los Angeles Fire and Police System does not have an administrative appeal process. However, if new information becomes available regarding a medical problem, the Retirement Board will review the disability case again.

Los Angeles City Employees' Retirement System. The Los Angeles System allows disability applicants to present their cases to the Board of Administration, if the Board has made an initial determination that it will not be granting disability retirement. There is no administrative appeal procedure that uses referees. When the applicants make their presentation to the Board they may use, and frequently, do use their own legal counsel.

Conclusion and Recommendation. LACERA may want to consider the approach to administrative appeals used by the San Diego Retirement System. In the course of our review of LACERA we did not hear any complaints that its methods for selecting and using referees resulted in impartial decisions. Nor were we requested to undertake a review of disability applicant opinions of LACERA referees. However, there was a concern raised that there may be a perception of bias in favor of LACERA by Referees.

4. Litigation Legal Counsel

San Diego System. The San Diego System has in-house legal counsel that it uses for representation at appeal hearings. It uses its own counsel because it believes that it receives more effective and efficient representation than if it used lawyers from the City Attorney's staff.

Los Angeles Fire and Police System. The Los Angeles Fire and Police System uses the services of dedicated staff in the Los Angeles City Attorney's Office. These attorneys do not work on City worker's compensation cases.

Los Angeles City Employees' Retirement System. The Los Angeles City Employees' Retirement System also uses the services of dedicated staff in the Los Angeles City Attorney's Office.

Conclusion. Each of these organizations, based on their particular circumstances, believes that they receive effective legal counsel services, either from in-house or from a City Attorney's Office. In the case of services received from the Los Angeles City Attorney office, there are specific staff assigned on a full time basis to assist and represent the Retirement Systems. There is no information that suggests that LACERA should reconsider its current use of an in-house litigation office.

❑ Considerations For Improving Efficiency and Effectiveness

We may be entering a time period in which there will be a greater need to focus on minimizing and controlling costs. Regardless of the times, a fundamental principle for all organizations is continual improvement, including a focus on costs.

In many organizations, the issue will be: "How do we continue to achieve our objectives, or even excel at meeting them, while at the same time increasing our efficiency?" Or the question may be more direct: "How do we do more with less?"

KPMG recommends that, as LACERA moves forward with its efforts to effectively and efficiently serve its members, it consider the following areas:

- **Organization alignment with mission and goals** On a regular basis (e.g. yearly), organizations should ensure that their operations are aligned with their mission and goals in order to eliminate extraneous unnecessary activities. Questions to ask are: Are we doing more than we should be doing? Are there certain activities that need improvement? Where do we need to make improvements?
- **Operating objectives** Sometimes, organizations establish operating objectives (e.g. process a certain document within 5 working days), which while noble and well-intentioned, are too severe in light of related goals and available resources.
- **Major cost categories** Budgetary categories with the biggest dollars can sometimes provide the biggest opportunities for improving efficiency.
- **Technology** Technology as a basis for improving efficiency and effectiveness should always be a consideration. There continue to be improvements in this field that may yield benefits to LACERA.
- **Employee involvement** Organizations which have achieved significant successes have many times noted that the key to their success was employees participation, at all levels of the organization, in identifying and implementing improvements. While any one of the improvements achieved may not be large in its impact, the accumulation of many incremental improvements have a significant impact on an organization's efficiency and effectiveness.

- **Board support** KPMG, in its limited contact with LACERA's Retirement Board, observed that Retirement Board members had a consistent and positive interest in LACERA members and staff. This kind of support will continue to be valuable and essential in order for LACERA to improve and add value to the services provided to its members.

III. STUDY ACTIVITIES AND FINDINGS

Objective A: Achieve the following determinations regarding disability application policies, procedures and practices:

- Compliance with internal policies and procedures.
- The appropriateness of claim file and claim Board decision documentation.
- Adequacy of medical and other evaluations.

Background

LACERA's Disability Services Division (the "Division") is the focal point for the receipt, review, and completion of disability retirement applications. It also prepares recommendations, to the LACERA Retirement Board (the "Board") on the disposition of disability retirement applications by LACERA members who are in retirement plans that include disability retirement benefits.

This Division has approximately 21 employees, of which there are 10 Disability Retirement Specialist positions, 2 Disability Retirement Specialist Supervisors and 1 Division Manager. The remaining staff provide clerical and other support services within the Division. The Disability Retirement Specialists do most of the work associated with the receipt, review and disposition of disability retirement applications.

Overview Of Procedures Used By KPMG To Achieve The Requested Determinations

To obtain a thorough understanding of relevant policies, procedures and practices, KPMG undertook the following activities:

- Met with and interviewed the Division Manager, a Disability Retirement Specialist Supervisor, several Disability Retirement Specialists, and other Division support staff.
- Met with LACERA Retirement Board (the "Board") members and the Executive Director of LACERA.
- Met with LACERA's medical advisor and attorneys that represent disability retirement applicants.
- Identified and reviewed all relevant manuals and documents pertaining to policies, procedures and practices, used by Division staff.
- Attended several LACERA Board meetings
- Conducted a walk-through of the facilities housing Division staff

Major Disability Services Division Functions

Based on the above interviews and research KPMG identified the following major Division functions. They are:

1. Disability application intake
2. Initial investigative review
3. Medical appointment setup and subsequent receipt of medical examination report
4. Second investigative review

5. Division review by a Disability Retirement Specialist, review by Disability Retirement Specialist Supervisor, and review by the Division Manager
6. Board Review
7. Reporting of the Board's decision to the LACERA member who applied for disability benefits.

Criteria Used To Review Division Procedures And Practices.

As a result of our interviews and research KPMG established the following criteria to use in reviewing disability applicant files and evaluating Division adherence to LACERA policies, procedures and practices:

1. Complete and signed disability retirement application package. LACERA policies and procedures require that a complete disability application must first be submitted by the applicant. There are 5 elements of the application:
 - Basic application form containing general information about the applicant.
 - Physician's statement. From the applicant's physician; stating that the individual has suffered an injury leading to a permanent disability
 - Release authorization form. Allows LACERA to obtain and review information related to the application for disability.
 - 3rd Party Release: Ensures that the applicant will not be suing anyone in relation to the injury
 - Missed Medical Appointment Affidavit. Applicants agree to pay a charge if they cannot make a medical appointment and fail to notify the LACERA within 24 hours prior to the appointment.
2. Notification letter indicating acceptance of the client's application for disability retirement.
 - There is a memo stating that the application has been received by LACERA and that a Disability Specialist (Investigator) will be contacting him/her to setup an appointment to discuss the facts of the claim.
3. Time lag between the application date and the applicant's last day of work. Was the appropriate action taken on the file given the lag time. (i.e. was LACERA legal counsel consulted in the event that the period of service discontinuation was greater than 3 years)?
 - Generally, LACERA legal counsel was consulted and we noted evidence of this in the file.
4. Applicant interview. Was the applicant interview by a LACERA disability specialist about the nature of the injury and when it first occurred?
5. Witness interview. Was a witness interviewed to corroborate the injury/illness? If not, then why not? Generally, witness are supposed to be interviewed, especially in psyche cases. Based on our discussions with Division staff, several items are taken into consideration:
 - If the actual claimant has died and a spouse is applying for survivor benefits, a witness may not be interviewed

- If the case is related to an orthopedic injury and there is substantial medical evidence in the past, e.g. for worker's compensation benefits; or if there a history of significant medical problems throughout the individual's career, they may waive the witness interview.
 - Combined with the factors above, the staff also considers the age of the individual and years of service
6. Disciplinary issues. If the investigator's interview or supporting documentation indicated that the applicant had disciplinary problems, what additional procedures were followed by LACERA?
- Generally, the investigators review applicant performance evaluations. If disciplinary problems are identified, then additional interviews are obtained to document additional information about the claimant's character, conduct and past work experiences. This information is then communicated to the physician or psychologist.
 - Potentially, a sub-rosa investigation may be conducted
7. Complete investigator's report. Aside from the witness and applicant interviews, was the relationship to worker's compensation, employment history, and occupation injury history documented in accordance with the Division's standard report?
- We did not verifying that employment history obtained by LACERA was accurate and correct. However, we noted that the elements of the report (approximately 10 items) which are LACERA policy were identified, discussed and relevant to the case file. In all cases of our sample, this information was complete.
8. Medical report and content. In all cases we noted medical reports were present. We also determined if the information in the medical report was consistent with the Division guidelines.
- KPMG compared medical reports to the policies and procedures that were provided to physicians, noting that the formats of the reports and relevant discussions were consistent. We also noted the existence of documented evidence in cases where the reports were not complete and therefore were supported by amendment correspondence by the physician.
9. Follow-up on questionable cases. Was appropriate follow up performed on questionable items?
- KPMG defined questionable cases primarily as those that had a 2 year or 1 year review based on the nature of the injury. We reviewed such cases to identify whether the review was performed and documented. We noted no exceptions.
10. Prior medical history. Is the applicant's prior medical history documented in the file?
- A standard LACERA procedure is to obtain prior medical history from the claimant's physician or worker's compensation records. These records are submitted to the panel physician and are used to assess the condition and permanency of the claimant's injury. In all cases, for our sample, we noted that this information was present

11. Job specifications. Is the job duties and class specification documented in the file?
 - The job specification is required because this information is provided to the panel physician to can assess the permanency of the disability in relation to the job tasks involved. This document was present in all cases.
12. Documentation of results.
 - We wanted to determine if LACERA documents the results of the disability application on internal forms identifying the staff/investigators recommendation and the final board action. The internal document is called a Disability Retirement Evaluation Summary (DRES).
13. Board action consistency. Was the Board's decision consistent with the documented information in the applicant's file?
14. Board decisions documentation. Is the Board's decision on an application documented action in its minutes and consistent with information in the disability applicant's file?
 - As a matter of internal policy, LACERA prepares and provides minutes on the Board session which act as another formal record of the approval/denial of claims. The Board actions are utilized to input the final action into the claims system.
15. Notification to applicant of the Board's decision. Is the letter notifying the applicant of Board action documented and included in the member's file?
 - The date of the Board's decision which is stated in the letter to the applicant is very important. It is the base date for establishing the time period within in which the applicant can appeal a Board decision. From the data of notification, the claimant has approximately 90 days to appeal the decision. As a matter of internal policy, LACERA includes a copy of such information evidencing the day that the letter was generated and mailed.
16. LACERA case tracking system information consistency with the application filed.
 - LACERA's TRACKER system is their disability processing system to track claims, case status, claimant statistics, final and actions. We noted that the system and input of information was correct thereby validating the reliability and data integrity of the information tracked.
17. Consistency of collected of information and staff recommendation with applicable statutes and court decisions.
 - Disability Division staff are very cognizant of applicable statutes and court decisions and are kept informed by LACERA legal counsel, and follow them closely in the processing of disability applications. An additional source is disability applicant legal counsel. Applicant legal counsel would be sure to challenge any LACERA decisions that were not pursuant to applicable statutes and court decisions.

Identifying the number of disability application files to be reviewed and methodology for selecting a representative sample.

For the 12 month period ending June 30, 2001 the Board reviewed and acted-on (e.g. deny or grant a disability retirement, or send the case back to the Disability Services Division for more information) approximately 400 disability retirement applications. Of these, KPMG selected for intensive review 50 disability application files that comprised a representative cross-section of application types.

Of the 50 disability application files reviewed, 31 were from Safety members and 19 were from General members. Of the 31 Safety member applications reviewed, there were the following breakdown of characteristics:

- 19 Granted Service Connected Disability
- 4 Granted Non Service Connected Disability
- 5 Denied Service Connected Disability
- 0 Denied Non Service Connected Disability
- 1 Appeal which was resolved (i.e. dismissed or decided) during the 12 months under review.
- 2 Cases which were granted 1 or 2 year follow up reviews which occurred during the 12 months under review.

Of the 19 General member applications reviewed, there were the following breakdown of characteristics:

- 7 Granted Service Connected Disability
- 6 Granted Non Service Connected Disability
- 4 Denied Service Connected Disability
- 1 Denied Non Service Connected Disability
- 0 Appeals which were resolved (i.e. dismissed or decided) during the 12 months under review.
- 1 Case which was granted 1 or 2 year follow up reviews which occurred during the 12 months under review.

Conclusion

KPMG found the Division files that we reviewed to be complete pursuant to LACERA policies, procedures and practices. All required relevant documents and information were in the files we reviewed. The files themselves were consistently organized in the same manner for all types of applications. All actions taken by the Board were documented in the files. The only exceptions were 2 files in which 3rd party release forms were not found, and no reason was found for the lack of 3rd party release forms. In one other file we found that there was no evidence that the applicant was interviewed, and no reason was found for the lack of an interview.

Medical evaluations provided by LACERA consulting physicians met LACERA requirements for completeness. The medical examination of disability applicants is conducted by a LACERA selected physician. Doctors performing these examinations are

specialists in their respective fields. Their medical examination reports are reviewed by a Disability Retirement Specialists to ensure that the reports address relevant medical issues and that the physician relates the examination to the specific job and classification duties of the disability applicant. Board members also have the opportunity to review the medical evaluations of disability applicants approximately 2 weeks prior to their disposition by the Board. Additionally, prior to Board action the medical examination is reviewed by LACERA's medical advisor, who is also a physician.

The Board must vote on all disability applications. Upon the presentation of each application the Board has the opportunity to discuss the medical examination of a disability applicant and ask its Medical Advisor for clarification and perspective on the medical issues involved in the examination. It also has the option of requesting that Disability Services Division staff obtain additional medical information from the examining physician.

The Board has the authority to provide direction to Division staff and physicians providing medical examinations on the nature and use of criteria whenever the Board believes that such a need exists. Appendix A contains a KPMG work paper on Division procedures. Appendix B provides documentation of KPMG findings for each respective case file reviewed.

Privacy of Disability Application Files

Background

LACERA privacy policies are based on 37 Act statutes that require that all member information be kept confidential. Section 31532 states, "Sworn statements and individual records of members shall be confidential and shall not be disclosed to anyone except insofar as may be necessary for the administration of this chapter or upon order of a court of competent jurisdiction or upon written authorization by the member." Consequently, confidentiality of member information has always been a LACERA priority, and a priority in the Disability Services Division, with its focus on medical problems described by disability retirement applicants and physician evaluations.

Review of Division Confidentiality Procedures and Practices

KPMG reviewed Division Procedures and Practices to determine the extent to which it protects the confidentiality of disability applicant information. Responsibility for the confidentiality of disability applicant information lies with the Manager of the Division.

According to the Disability Services Division Manager, disability retirement applicants are verbally informed by their assigned Disability Retirement Specialist that all information provided to the Disability Services Division regarding their disability application is confidential. This includes reports by a LACERA physician. Confidentiality policies also prevent spouses of disability applicants from seeing applicant information. Confidentiality also extends to Board Meetings. Those Board Meetings in which there is a review of disability applications are restricted to only authorized persons.

At Board meetings, during breaks and after the meeting, staff picks-up all confidential materials no longer needed by the Board and disposes of these materials.

Transfer of Information and Communications With Physicians. The service agreement between a physician and LACERA requires that the physician maintain the confidentiality of disability applicant information. Equally important, confidentiality is an important element in the day to day operations of medical offices. As a means to ensure confidentiality, LACERA physicians are provided with original documents (not copies) produced by the Division in the course of processing an application for disability benefits. These original documents are recorded by LACERA staff when they are sent by mail or messenger to and received back from the physician.

Transfer of Information and Communications With Referees. The service agreement between a referee and LACERA requires that the referee maintain the confidentiality of disability applicant information. Equally important, confidentiality is a concept embedded in the practice of law, and the LACERA referees are attorneys.

Transfer of Information and Communications With Private Investigators. The service agreement between a private investigator and LACERA requires that the investigator maintain the confidentiality of disability applicant information. Further, confidentiality is an important element in the day to day operations of investigators. LACERA is careful in its selection of private investigators. It only uses firms that have very solid positive reputations and that are well known among LACERA's peer organizations, such as other retirement organizations and insurance companies.

Storage and disposal of information. Long term storage of applicant information is maintained in the LACERA Archives department. Procedures are followed to manage access to this information, i.e. only authorized staff can view the contents of these files. Disability applicant files in current use are kept in the Disability Services Division offices. Applicant files in Division offices are kept in locked file cabinets with managed access via keys. Access to the Division office area is controlled by electronic security cards.

Within the Division Offices, hard copy information that is to be discarded is placed in designated and locked trash bins. When the bins are filled, their contents are taken to a designated room in the LACERA office building. In that room hard copy materials are shredded by staff employed by a company under contract by LACERA that specializes in the disposition of confidential material. The shredding of LACERA materials is overseen by a LACERA employee to ensure that all documents are sufficiently shredded.

Electronic information is centrally stored on LACERA organization computers. Disability division staff, with approved access, can view this material. Access is controlled by the employee log-on identification.

Testing confidentiality procedures. According to the Division Manager and a member of the Audit Division staff, LACERA has not had a breach of its confidentiality procedures. This fact is an indication that the procedures in place are effective. On the other hand, there may have been confidentiality procedure breaches of which LACERA staff are not aware. We also discovered that LACERA does not undertake regular or periodic tests to confirm the effectiveness and integrity of procedures for maintaining the confidentiality of hard copy and electronic disability applicant information or to determine if there has been unauthorized access.

Recommendation

The financial and public relations related risks associated with LACERA's confidential information are significant. In this light, LACERA should institute a program that documents its confidentiality procedures and practices, improves them as necessary, and regularly tests their effectiveness. This review should include an assessment of risks along with related current and potential costs associated with its current procedures and practices.

Objective B: Review, evaluate, and test LACERA compliance with established policies and procedures for:

- ❑ Investigating disability applications, and whether investigatory procedures appear adequate.
- ❑ Selecting and utilizing contract services such as attorney/referees and physicians.
- ❑ Following-up cases where disability retirements have been granted that are somewhat "questionable" in nature, such as when the applicant is very young, the injury is difficult to diagnose (i.e., "stress" cases), the injury occurred many years ago, etc.

1. Investigating disability applications and whether investigatory procedures appear adequate.

Background

The Division's review of disability applications incorporates required and optional procedures. Required procedures include:

- Interview the disability applicant
- Interview a witness (i.e. a supervisor or co-worker)
- Medical examination of the applicant, specifically the medical issue that brought about the disability application, by a LACERA physician.
- Review the medical report, if available, that was prepared by a workers compensation physician.
- Disability Specialist review of the medical examination description provided by the LACERA panel physician. The purpose of this review is to ensure that the physician examined the medical condition indicated by the applicant, that the physician's explanation of the examination's results meets LACERA requirements for structuring the description, and that the focus of the examination is related to the activities of the position to which the applicant is assigned.
- Internal quality assurance reviews by Division Supervisors and the Division Manager.
- Follow-up questions, as needed, addressed to the applicant, the witness and the examining physician by the Disability Retirement Specialist.

An optional procedure is to use a private investigator to view the activities of disability applicants. Additionally, if a disability retirement applicant appeals the denial of disability retirement benefits, the applicant's legal counsel, (most appellants use legal counsel.) will be very committed to identifying any gaps in the information collected by LACERA.

In preparation for the Appeal Hearing there may be additional fact finding by the LACERA Litigation Office staff. This may include clarification of the report items (e.g. applicant's specific job duties) prepared by the Disability Retirement Specialist responsible for processing the disability application and the physician's report. Also, evidence provided by a workers compensation physician which may not have been available at the time of the initial Division staff investigation and Board review, will also be considered by a referee, if it is now available.

Upon the presentation of a referee's recommendation to the Board, there is an additional opportunity for the Board to direct Division staff to conduct additional investigatory activities.

Procedures Used By KPMG To Determine If Investigatory Procedures Appear Adequate

To obtain a thorough understanding of relevant policies, procedures and practices, KPMG undertook the following activities:

- Met with and interviewed the Division Manager, a Disability Retirement Specialist Supervisor, several Disability Retirement Specialists, and other Division support staff.
- Met with LACERA Retirement Board (the "Board") members and the Executive Director of LACERA.
- Met with LACERA's medical advisor and attorneys that represent disability retirement applicants.
- Attended several LACERA Board meetings
- Identified and reviewed all relevant manuals and documents pertaining to policies, procedures and practices, used by Division staff
- Conducted a walk-through of the facilities housing Division staff.

Criteria Used To Review Division Procedures And Practices.

The essential criterion for establishing "adequacy" is: "was there sufficient information for the Board to make an informed and reasonable decision on a disability retirement application, within the parameters of legal statutes and administrative criteria?" Our review of disability applicant files, interviews and observation of Board meeting activities included the application of this criterion.

Conclusion

The Division's investigatory procedures appear adequate. We noted no deficiencies in the content of the information collected, and all relevant information available for use in making an informed and reasonable decision on an application for disability retirement was presented to the Board. Additionally, the Board has the authority and flexibility to ask for additional information on disability applications and modify relevant LACERA policies, procedures and practices if it believes there is additional information that it should incorporate into its deliberations.

2. Selecting and utilizing contract services such as attorney/referees and physicians.

a) Selecting and Utilizing Referees

LACERA referees are agents of the Board and assist the Board as independent judicial officers. There are currently approximately 17 LACERA referees who “hear” approximately 200 appeals each year. They are paid \$100 per hour. Bills from referees are reviewed by Division staff to ensure that there is no over-billing.

Referee Selection

To recruit, evaluate and select its referees, LACERA has a formal, structured and open process. Board approved criteria relevant to the nature of the position and a rating system are used by LACERA staff to evaluate and score applicants at the initial screening stage and at the interview stage.

The Disability Services Division handles the logistics of advertising for referees. The content of the advertisement and the interview and selection of applicants is conducted by the Legal Department. Final decision on selecting referees lies with the Board. Applicant attorneys can protest any referees that may be selected.

Performance Review of Referees

LACERA does not use a formal process for reviewing the performance of its referees. Nevertheless, the Retirement Board in the course of its normal review of disability applications evaluates referees on the basis of their methodology for arriving at recommendations. The Disability Services Division monitors the time taken by referees to submit their recommendations to the Board. If the Board concludes that a referee is not performing in a sufficient manner it will instruct staff to stop using the referee. It should be noted that our review did not uncover any instances of the Board dissatisfaction with a referee due to recommendations that ran counter to the Board’s original decision on a disability application.

Improving the Appeal Process and Referee Performance

Periodically, there have been gatherings, i.e. the Referee Roundtable of referees, applicants’ counsel and LACERA Representatives (Board of Retirement, Board of Investments, and staff from Legal, Litigation, and Disability Services Divisions), to discuss important issues related to the how appeals are conducted and processed.

Conclusion

LACERA’s referee recruitment and selection policies, procedures and practices are based on the objective of providing an impartial process and venue for disability applicants to appeal Board decisions. LACERA has adequate policies and procedures for selecting and utilizing referees and we found that LACERA adheres to these policies and procedures.

The utilization of referees essentially pertains to their role as an impartial venue for obtaining all relevant information, including newly available information, and making a decision based on that information and pertinent legal statutes that govern how an Appeal Hearing shall be conducted and those statutes that govern LACERA operations, in particular the granting of disability retirement benefits. Our review of LACERA documents and files, interviews with LACERA staff and applicant attorneys, and observation of Board meetings did not uncover any instances where there was a bias against the full review of all relevant information by referees, nor any deviation from established LACERA policies and procedures.

Another Viewpoint. There is also a point of view, albeit in the minority, that believes that LACERA's use of in-house referees tarnishes member perceptions of LACERA and the disability retirement application process. It creates the perception, according to this point of view, that LACERA's disability application process is not entirely impartial. This point of view believes that the entire appeal process should be undertaken by an outside firm, such as a firm that provides arbitration services.

b) Selecting and Utilizing Physicians

Approximately 110 physicians are used by LACERA. The most important objective of the physician is to determine if an applicant for a disability applicant is unable to perform the duties of his/her position; and if so disabled, is the disability permanent or temporary.

Physician Selection

Sometimes doctors contact LACERA and sometimes LACERA contacts doctor's regarding their interest in being on LACERA's panel of physicians and providing examinations of LACERA members that have applied for disability retirement benefits. The medical qualifications of interested doctors are reviewed by the Board's medical advisor, pursuant to direction from the Board.

An important criterion in the review of physicians has been their experience in performing examinations for other retirement systems and for worker's compensation claims. Recently, the Board has decided to lessen the reliance on this criterion in order to increase the number of possible physicians, in particular minorities. To overcome a possible lack of knowledge of policies and procedures for reporting examination results the Board realizes that LACERA staff may have to provide a more intensive orientation to physicians who lack this type of experience, but who are nevertheless very capable physicians.

As part of the physician selection process, Division staff visit a doctor's office and office site and conduct an evaluation using the following criteria: available parking; proximity to members; access via streets, freeways and public transportation; quality of staff; and general experience of visiting the office.

Upon the completion of the review of a physician by Division staff and LACERA's medical advisor, a recommendation is made to a Board Committee responsible for this process. If the Board Committee decides to accept the doctor, it makes a recommendation to the full Board. In most instances, the Board accepts the recommendations of the Committee.

Performance Review Of Physicians

Service agreements with physicians are in perpetuity and can be terminated or the service is simply not used by LACERA. There is no formal evaluation of the performance of a physician, in the sense of an annual review. Nevertheless, the Board, Division staff and the Medical Advisor review the physician performance each time a physician provides a medical evaluation of a disability retirement applicant. If the Board, Division staff and the Medical Advisor notice that a physician's evaluations are continually late or not substantiated, or reach erroneous conclusions in their opinion, a more formal review is undertaken. At the completion of the formal review a recommendation is made to the Board to continue or discontinue the use of the physician.

Also, the fees charged by physicians are compared against industry norms by Division staff and the Medical Advisor. Any deviation from these norms are discussed and resolved with the physician.

Conclusion

LACERA's physician recruitment and selection policies, procedures and practices are based on the objective of obtaining qualified and objective medical determinations on the ability of disability applicants to perform their job duties. Our review of LACERA documents and files, interviews with LACERA staff and applicant attorneys, and observation of Board meetings did not uncover any instances where there was a bias against the full review of all relevant medical information, nor any deviation from established LACERA policies and procedures.

We should also note that the Board, and consequently LACERA staff, devotes a substantial amount of time to reviewing and discussing the physician reports on disability applicants. Within its legal and administrative framework, LACERA devotes considerable resources to ensuring that all relevant medical information is obtained and reviewed before the Board makes a decision.

3. Following-up cases where disability retirements have been granted that are somewhat “questionable” in nature, such as when the applicant is very young, the injury is difficult to diagnose (i.e., “stress” cases), the injury occurred many years ago, etc.

Background

The Board may grant disability retirement benefits, but include the directive that the applicant’s medical condition be reviewed in 1 or 2 years subsequent to the Board’s decision. Compared to the total number of cases reviewed by the Board, there are very few cases of this type.

It is important to note that the Board is not making a determination that a disability application and subsequent decision to grant disability retirement is “questionable” and therefore subject to a further review. These cases are based primarily on statements by a LACERA physician that, although a permanent incapacity to work exists, there is the possibility that over time, i.e. 1 to 2 years, the disability may diminish. Therefore, it is appropriate to review the applicant’s condition in 1 or 2 years.

KPMG selected a sample of cases in which the disability applicant had been granted disability retirement with a directive by the Board that the applicant’s condition be reviewed in 1 or 2 years.

The criteria we applied to these cases were:

1. Were these disability retirement cases tracked by LACERA?
2. Was the review conducted at the respective 1 or 2 year mark ?

Conclusion

Our examination of LACERA files determined that LACERA does keep track of these cases and conducts a review of the member’s condition at the 1 or 2 year benchmark as directed by the Board.

Objective C: Evaluate whether LACERA use of inside counsel is more effective than using County Counsel

Background

In 1997 LACERA established a Litigation Office reporting directly to the Chief Executive Officer of LACERA, instead of using the services of lawyers in the County Counsel’s office. The establishment of this office was motivated by the belief that LACERA needed more specialized and ongoing focus to appeals requested by disability applicants whose requests for disability retirement benefits had been denied by the Board. Although it recognized the substantial contributions that had been made by County Counsel lawyers, there was the realization that LACERA was naturally not a high priority of County Counsel. LACERA also believed that there would be a decrease in the number of appeals as a result of this new office.

Determining the Effectiveness of the Litigation Office

When the Litigation Office was established, LACERA did not establish quantitative and qualitative indices for measuring its effectiveness. Therefore, on a retroactive basis KPMG has attempted to establish indices that will provide some indication of effectiveness. The criteria we have established are:

1. Are the Litigation Office's customer's, i.e. the Board and LACERA staff, satisfied with its performance?
2. How many appeals have been requested?

Customer Satisfaction. Of the 4 Board members interviewed, 3 expressed satisfaction with the performance of the Litigation Office and stated that it was a better alternative than using County Counsel lawyers. The 4th member expressed dissatisfaction with the nature of the Litigation Office's role vis-à-vis disability applicants, but did not express dissatisfaction with the Office's effectiveness from a legal or administrative perspective.

It was noted by many customers, Board members and LACERA staff, that on a regular basis the Litigation Office recommends that the Board reconsider its decisions to deny disability benefits. These recommendations to reconsider a decision are normally based on the availability of medical information that was not available to the Board when it made its original decision, or that certain other information was not fully considered by the Board. The Board members interviewed also indicated that the Office's legal staff were professional and courteous in their dealings with disability applicants and their legal counsel. Board members and LACERA staff interviewed also indicated that in the course of normal duties and interaction with the Board, the Litigation Office provided it with valuable legal information and perspectives.

LACERA staff also expressed satisfaction with the Litigation Office. According to staff that were interviewed, there has not been any controversy regarding the Litigation Office. They too stated that the Litigation Office regularly recommended that the Board reverse a decision to deny disability benefits and that it provided valuable legal information and perspectives. Staff also stated that the Litigation office lawyers were effective and efficient in presenting relevant facts at an Appeal Hearing.

Staff also stated that the existence of the Litigation Office has resulted in a more structured and systematic approach by the Disability Services Division to collecting and analyzing applicant data, and making decisions about eligibility for disability benefits. Staff also stated that Litigation Office lawyers, while thorough and very focused on establishing relevant facts at an Appeal Hearing, were courteous and professional in their demeanor.

The Number of Appeals Requested. KPMG obtained historical data from the Litigation Office on the number of appeals requested since 1997. (This data was culled by Litigation Office staff from case logs and files in the Litigation Office.) Since 1997, the number of Appeal Hearings has decreased from 111 to 53 in 2000. The overall number of Prehearings, Hearings, Depositions, and Court Hearings has declined from 133 in 1997 to 79 in 2000. It should be noted that the year 1997 was the year in which the Litigation Office commenced operations. From 1998 (the first full year of the Litigation Office) to 2000 the number of Hearings declined from 82 to 53. Overall activity (number of appeals requested) declined from 106 cases in 1998 to 79 cases in 2000.

Hearing Activity Data								
Activity/Year	1997- CC	(1)	1997-L	(1)	1998	1999	2000	2001(as of 8/15)
Prehearings			8		12	22	13	10
Hearings	48		63		82	60	53	23
Depositions	2		8		10	3	4	3
Court Hearings	3		1		2	14	9	8
Total	53		80		106	99	79	44

(1) In 1997 the Litigation Office commenced operations. Statistics shown for the year 1997-C are related to the County Counsel. Statistics shown for 1997-L are related to the LACERA Litigation Office.

Conclusions

LACERA staff, and 3 of the 4 Board members interviewed, believe that the Litigation Office is effective and in the best interests of LACERA’s members; and that it enhances the Board’s fiduciary responsibilities. From a quantitative perspective there is evidence that the number of appeals has declined since the Litigation Office commenced operations; however, it could not be ascertained if the decline was due to Litigation Office actions or other variables.

It should also be kept in mind that there will be legal counsel, whether it be lawyers from the County Counsel office, an outside law firm or the LACERA Litigation Office representing LACERA at Appeal Hearings. Given the significant size of LACERA’s membership (over 93,000) and the volume of disability applications processed (480 last year), the current case load of about 79 cases, the specific statutes and plan documents relevant to disability matters, and the complexity of issues involved in these cases, there is a need for continuous and focused legal counsel services. The facts support the use of an in-house Litigation Office.

Recommendation

LACERA should develop a formal approach that addresses the measurement of Litigation Office effectiveness and efficiency. Over time, this information will be helpful to LACERA. It will allow management to know where they are going and when they have arrived at a goal. It will help to answer the question, “how well are we doing?” Performance information will be helpful in determining where to direct improvement efforts, adjusting

for changing resources, managing results, and evaluating the performance of staff. LACERA may also want to collect statistics that address member perceptions of the Litigation Office.

Point of View. There is a point of view, albeit in the minority, that believes that there is an unnecessary adversarial relationship between LACERA and its members who are appealing a disability application. This point of view believes that LACERA should be totally neutral when there is an appeal, and the use of LACERA litigation counsel is evidence of this the lack of neutrality. Also, this point of view believes that LACERA should be the “good guys” and not the organization that prevents an applicant from receiving benefits. According to this point of view, instead of an in-house litigation office, the duties of representing LACERA should be undertaken by Los Angeles County Counsel.

Objective D: Evaluate whether the use of a full hearing prior to review by the Retirement Board (i.e., upon staff’s recommendation to oppose the application) would provide for a more independent and efficient process.

Background:

Upon receipt of an disability retirement application, LACERA staff obtains relevant information on the applicant applying for disability retirement, in particular the nature of the disability and its relationship to job duties. The information collected includes a report of examination by a doctor who is on LACERA’s panel of medical specialists. This report contains the doctor’s opinion on whether the applicant is incapacitated for duty and, if so, whether the incapacity is service-connected. Based on the information obtained, with the doctor’s examination being a very important element, staff makes a recommendation to the Board. Recommendations can be one of the following:

1. Decline the application for disability retirement, or
2. Recommend a service connected disability, or
3. Recommend a non-service connected disability.

If the Board adopts the staff recommendation for denial of the application for disability retirement, Division staff so informs the applicant. The applicant may then request an administrative hearing before a LACERA referee. The Board grants such requests and assigns the hearing to a referee from its panel of referees. At the hearing the applicant normally has legal counsel participation. LACERA also has its legal counsel participation. The referee “hears” evidence from both parties; and then, based on an evaluation of the information, makes a recommendation to the Board. Recommendations to the Board by the referee can be one of the following (i.e. the same as those provided by staff):

1. Decline the application for disability retirement, or
2. Recommend a service connected disability, or
3. Recommend a non-service connected disability.

If the applicant disagrees with a referee’s recommended decision to deny disability benefits, she/he can object to the referee’s decision and appear before the Board to orally argue against the referee’s recommendation. If the Board adopts the referee’s recommended decision, she/he may petition the Superior Court to order the Board to grant the disability retirement.

Alternative Procedure Under Consideration

The alternative procedure under consideration would place the appeal hearing prior to any review of the disability application by the Board. Under this scenario, if LACERA staff will be recommending that the disability application be denied, the applicant would be so notified of staff's recommendation. The applicant would then have the option to request a hearing before a LACERA referee with the intention of obtaining a recommendation to the Board by the referee for disability benefits. Based on an evaluation of all information, the referee would make a recommendation, to the Board to deny or approve disability benefits. If a referee were to agree with the staff's decision and make that recommendation to the Board to deny disability retirement, there would not be an opportunity for the applicant to have another administrative hearing. The applicant's next step, should there be a desire to pursue the matter further, would be to take the case to the Superior Court.

Discussion and Conclusions

We have spent a substantial amount of time considering this alternative and have also discussed it with LACERA Board members and staff. The information and evidence that we have reviewed does not substantiate a procedural change for the following reasons:

- The Board would still be required to review a recommendation, whether it came from LACERA staff or a referee.
- There would still be an administrative Appeal Hearing, whether it occurs prior to, or after, Board review.
- Staff work, including a medical examination, related to gathering and analyzing relevant facts would still be the same.

Additionally,

- Periodically, the Board approves disability retirement benefits, when staff has recommended denial of the disability retirement application. If the Appeal Hearing were to occur prior to Board review, there would periodically be Hearings that would not have otherwise been necessary.
- The overall time frame from the point in time that staff makes a recommendation through a decision by the Board could contract. A contracted time period would allow less time for additional medical information favorable to the applicant to become available, particularly from the workers compensation process. Thus, LACERA would face situations in which its members would reapply for disability retirement upon the availability of the new medical information, thus compelling staff and the Board, (possibly a referee also) to do additional work and case review.
- This procedural change would preclude the Board from reviewing a case as soon as its staff, i.e. Disability Services Division employees, had completed their work. It was the consensus of LACERA Board members and staff interviewed that it was appropriate that staff report its findings to a decision making body, i.e. the Board, immediately upon the conclusion of their work. There was no reason to place an Appeal Hearing as the next step.

This is a logical point in the process for the applicant to find out the status of her/his application, i.e. the Board's decision. In making a decision, the Board has the discretionary authority to send the application back to staff for further investigation, approve staff's recommendation to approve or deny the application, or reject staff's recommendation to approve or deny the application.

The evidence we have identified indicates that an administrative hearing prior to review by the Retirement Board would not provide for a more independent and efficient process.

Objective E: Review and evaluate the adequacy of LACERA reporting capabilities pertaining to disability applications (e.g., number approved, number denied, numbers and type of injuries incurred, etc.).

LACERA has the capabilities to report on a wide variety of work activities and the nature of disability applications it receives. This was confirmed by our observations of LACERA data and discussions with staff and Board members that collect, report and/or use the data. For example, when questions arise regarding the nature of disability applications or workload levels, the Division staff normally is able to provide the specific data requested. And, on a regular basis, the Division manager reviews the specific workload of the disability specialists to ensure that cases are being expeditiously and correctly processed. The two primary reports used are the Pending Cases Report and the Monthly Statistics Worksheet.

▪ **Pending Cases Report**

This report identifies the total number of cases outstanding. In addition, this report details the cases pending by each Disability Retirement Specialist and the number of cases which have not been assigned. This report is utilized primarily by the Division Manager and Disability Specialists to ensure that cases are processed in a timely fashion.

▪ **Monthly Statistics Worksheet**

This report captures the number of cases outstanding, received and processed in the aggregate for the month. It includes the number of cases denied, held over and dropped. The report is generated manually by performing various queries in the Disability Division's TRACKER system.

LACERA does not review statistics that measure the efficiency and effectiveness of its disability processing and disposition activities on a regular and systematic basis. For example, information is not collected and reviewed that measures Disability Division staffing levels compared to overall case load nor is there any relating of Division workload for certain types of disability applications to staffing levels. Equally important, there is no systematic review of this kind of information on a historical basis. For example, it is not incorporated into decision making that affects staffing levels and the Division's budget. Although the Division has the capacity, (raw data and technology based systems for containing and reporting the data) it does not make full use of this capacity.

Recommendation

KPMG recommends that the Division develop and incorporate workload data into its decision making on effectiveness and efficiency and decisions affecting the development and approval of its annual budget. We further recommend that the Division commence this project by developing a small number of indicators so that the collecting and reporting of this data does not become a heavy burden that interferes with its focus on serving disability applicants. As time goes on, it can add to and refine this initial set of data in order to improve the quality of its decision making. We should also add that workload statistics should not be the sole criteria for Division decision making. They are only one element, albeit an important one, in an array of relevant factors that are both qualitative and quantitative.

The Importance of Measuring Performance Effectiveness and Efficiency. Measurement helps managers make better decisions and then lets them know how good or bad those decisions were. Measurement brings attention to a program; certainly more attention than if it were not being measured. Measurement also lets managers know where they are going and when they have arrived at a goal. Measurement is not an end to itself; it is a means to an end and that end is improved service. Below are some typical types of effectiveness and efficiency measures.

- a) **Effectiveness measures:** They measure the extent to which the service provided meets the expectations of the customer. This could include measures of:
 - **Coverage:** The number of customers you serve
 - **Accomplishment:** Measures the overall outcome or achievement of a program.
 - **Quality:** The proportion of service provided without error.
 - The proportion of services provided without a complaint or the ratio of complaints to total services provided.
 - The proportion of service produced at a specified standard.
 - The proportion of services provided with compliments from customers.
 - The number of staff hours of training conducted per year.
 - Staff turnover.
 - **Satisfaction:** Customer satisfaction as measured by a predefined survey.
- b) **Efficiency measures:** They measure the efficiency of a process or service. Efficiency measures include:
 - **Per unit costs:** A measure of per unit cost reveals how many resources are consumed in producing a unit of service.
 - **Cycle time:** Measures the amount of time it takes for a process to be completed. This can be a key measure of customer satisfaction, as it indicates how much time people wait for a service to be completed.
 - **Response time:** Measures the amount of time it takes to respond to a request for service. Again, it is a key measure of customer satisfaction, as it indicates how much “waiting or queue-time” customers wait for a service response.

- **Backlog:** Measures the amount of work in queue, waiting to be processed. Backlog is a tricky measure, as it can be defined several ways. One way is to measure total work in queue waiting to be processed. Another way is to measure backlog as the amount of work not processed within a required or targeted time frame.
- **Per unit FTE's:** Measures how many employees are required to fulfill a unit of work.
- **Staffing ratios:** Another way of looking at staffing is computing a ratio of staffing to a particular function or in comparison to the total organization.
- **Per unit equipment utilization:** Measures the efficient utilization of equipment.

Performance Measurement and Performance Management. Good performance measurement provides an answer to the question, "how well are we doing?" Performance management, on the other hand, examines how well we should be doing, are we improving, and if we are not performing satisfactorily, why not? After determining "why not", what will be required to ensure improved performance? Performance measurement is an essential part of performance management.

The heart of performance management is the combining of effectiveness (doing the right thing) and efficiency (doing things right). This cannot be accomplished without first understanding the relationship between resource inputs (dollars, man-hours, and capital) and outputs (units of whatever your program produces). The challenge is to achieve resource optimization at increasing levels of effectiveness. This marks continuous improvement and focus on issues such as: where to direct improvement efforts, adjusting for changing resources, managing results and linking effectiveness and efficiency with individual performance.

Disability Investigation Expenditures

LACERA expenditures in FY2000-2001 for disability related services was \$2,359,259, according to the LACERA FY 2000-2001 Budget Control Report. Of this amount, \$1,234,778 was for salaries and employee benefits and \$1,124,481 was for services and supplies. On an annual basis, the Disability Services Division processes approximately 480 applications. Thus LACERA is spending \$4,915 per disability application.

IV. BENCHMARKING STUDY

KPMG, with the assistance of the Auditor-Controller's Office and LACERA, prepared a benchmarking survey that was sent to the following 37 Act retirement organizations: the Counties of Alameda, Orange, Sacramento, Ventura, Santa Barbara, Contra Costa, San Bernardino, San Diego, and San Joaquin. Our objective had been to survey only the larger organizations. All of these organizations, except for Orange and Sacramento Counties responded.

The objectives of this questionnaire were to develop a better understanding of LACERA's Disability Services Division workload and relative staffing levels compared to these other organizations and relative levels of disability application approval and denial. We also wanted to identify how they undertake certain procedures related to the disability retirement application process. The entire results of the survey are located in Appendix C, Survey Results From 37 Act Associations.

We are most appreciative of the time taken by each of these organizations to complete this questionnaire. Upon the completion of this project we are providing each responding organization with a copy of the document shown in Appendix C that displays the results of the survey.

Approach To Analysis and Findings

The information we obtained allows us the opportunity to make some general comparisons of LACERA operations with the surveyed organizations. Although, these organizations are governed by the same basic statutes as LACERA, respective operating policies, procedures and practices will vary from organization to organization. Therefore, the information we obtained should be used in the form of "insights" and "perspectives" on how these organizations function and as a general point of reference for the purposes of comparing LACERA with these organizations.

It should also be noted that these statistics cover the most recent 12 month period for which these organizations had the requested statistics. As such, they are a snapshot in time. It will be interesting and valuable to view these statistical categories over a multi-year continuum. A multi-year perspective will provide more insights and value than does a 1 year snapshot.

Findings

Areas in which LACERA statistics are similar to the other organizations surveyed.

- LACERA's number of disability retirement applications received, as a percentage of total membership is approximately the same as the other organizations surveyed. LACERA receives approximately 480 disability retirement applications annually, which is 0.8% of its total membership, excluding Plan E members which does not provide for disability retirement. The average and median percentage for all organizations surveyed was 0.6%.
- LACERA's total staffing as a percentage of total membership is 0.26%; the average for the organizations surveyed is 0.19%. In terms of a ratio there is approximately 1 LACERA staff person for every 389 members. The average for the organizations surveyed is 1 staff person for every 349 members.

- LACERA's disability services staffing as a percentage of total membership (excluding Plan E members) is 0.03%; the average for the organizations surveyed is 0.02%. For LACERA there is approximately 1 disability services staff person for every 2,909 members in those plans that provide for disability benefits. The average for the organizations surveyed is 1 staff person for every 3,110 members.
- LACERA's disability services staffing as a percentage of disability applications received is 4%; the average for the organizations surveyed is 4%. As a ratio there is 1 disability services staff person for every 23 disability applications being processed.
- LACERA's disability retirement applications denied as a percentage of total disability applications received is 22%; the average for the organizations surveyed is 20%; the median is 15%.
- The level of disability applications received from LACERA general members is similar to the levels of the surveyed organizations. LACERA general membership disability applications are at 0.3% of total membership (Plan E members excluded); the average for all organizations is 0.4%.

Areas in which LACERA statistics are different from the other organizations surveyed.

- The level of disability applications received from public safety members is greater than the level of public safety disability applications received by the surveyed organizations. LACERA public safety disability applications are at 0.5% of total membership (excluding Plan E members); the average for all organizations is 0.2%.
- The number of disability applications received from LACERA public safety members, as a percentage of total applications received is 60% at LACERA; the average of all of the organizations surveyed is 31%. In other words, a relatively high proportion of disability applications come from public safety personnel.
- The number of disability applications received from LACERA general members, as a percentage of total applications received is 40% at LACERA; the average of all of the organizations surveyed is 60%.

Non-Statistical Information

We also asked the organizations surveyed for information on their operations. We wanted to know if they had made any recent changes to their disability application processes, are they considering any changes, the extent to which they use statistics to measure efficiency and effectiveness, and the next step in the disability application process after disability services staff have completed its work.

As a group, the surveyed organizations are changing their procedures. Interestingly, they are developing more systematic and structured operations, similar to those used by LACERA. Also, the statistics they are starting to collect, or plan to collect, are similar to the statistics that LACERA currently uses. For example, organizations are improving the format and detail of their applications, using their own staff to process disability applications, or reorganizing their staff into teams headed by a supervisor. Another

organization, recently separated itself from the County Treasurer's Office and is now developing its own by-laws. Those organizations that collect statistics on staff workload do so at a level no greater than LACERA's current efforts. There are some organizations that collect much less data, or none at all.

Conclusions and Recommendation

We found that there was significant similarity between LACERA and the other organizations surveyed, in terms of workload and staffing levels. There were 2 areas with dissimilar findings. The level of disability applications received from public safety members was greater than the level of public safety disability applications received by the surveyed organizations. LACERA public safety disability applications are at 0.5% of total membership (excluding Plan E members); the average for all organizations is 0.2%. Also, the relative level of disability applications received by LACERA from public safety and general members was significantly different from the surveyed organizations. LACERA received a relatively high level (60% of total disability applications) of disability applications from safety members for the 12 months for which statistics were available.

These kinds of statistics will become more useful by being collected and analyzed annually, on an ongoing basis. LACERA and other participating 37 Act organizations would then have a valuable resource to use in evaluating their efficiency and effectiveness. Viewing this information on a historical basis, and from year to year, will yield a higher level of insights than the one year snapshot taken for this study.

Regarding operational topics we found that LACERA is more advanced than the other organizations surveyed in terms of having more formal, systematic and structured approaches to carrying out day to day disability application processing activities.

V. BEST PRACTICES

The objective of our Best Practices task was to identify relevant (to this Study) procedures and practices of other organizations of similar size and complexity to LACERA that may be of interest to the Auditor-Controller's Office and LACERA. A review of these other organizations provides an opportunity to step back and consider why LACERA has certain practices in place and whether or not there may be a better (more efficient and/or effective) way to achieving an organization objective.

KPMG staff met with the Administrator of the San Diego Employees' Retirement Systems, the Assistant General Manager and the Senior Management Analyst II (who manages the disability application function) of the Los Angeles City Employees' Retirement System, and the Executive Officer/Assistant General Manager and the Pension Claims Officer of the Los Angeles Fire and Police Pension System.

The details of our interview questions and responses can be found in Appendix F. In this section we will provide interview highlights and insights relevant to LACERA's disability retirement policies and procedures. There are 4 areas for which we are presenting information: physician examinations, sub rosa investigations, administrative appeals, and use of litigation counsel.

General information about the San Diego Employee's Retirement System

Active members: approximately 11,000

Retirees: approximately 5,500

Assets: approximately \$2.4 billion

Total staff: 50

Staff involved in disability application processing: 2 positions (Medical Review Officer and supporting clerical position)

Number of annual disability retirement applications received: approximately 200

General information on the Los Angeles Fire and Police Pension System

Active members: approximately 12,378

Retirees: approximately 11,612

Assets: approximately \$11 billion in assets

Total staff: approximately 65; may increase to 90 due to new pension plan modification

Staff involved in disability application processing: approximately 8 (5 professional and 3 clerical)

Number of annual disability applications received: approximately 144

General information on the Los Angeles City Employee's Retirement System

Active members: approximately 22,000

Retirees: approximately 14,000

Assets; \$7 billion in assets

Total staff: 100

Staff involved in disability application processing: approximately 3.5 positions involved in disability retirement activities

Number of annual disability applications received: approximately 40.

1. Physician Examinations

San Diego System

The San Diego System does not have a panel of physicians that it uses for medical examinations. It requires that a disability applicant provide, at the commencement of the disability application process, a medical examination report from the member's physician that sets forth the nature of the medical problem, its relationship to job duties and responsibilities, and that the medical problem prevents the employee from carrying out those job duties and responsibilities.

This report is evaluated by the San Diego System's Medical Review Officer. The evaluation looks at the content of the physician's report and the relationship of the medical problem to the member's job duties and responsibilities. If there is a question regarding the medical examination the Medical Review Officer can request additional information from the member's physician or request that San Diego System physician conduct an examination.

According to San Diego's System Administrator this practice is effective and efficient in ensuring that an applicant is unable to perform job duties and meeting the applicant's need for a fair and expeditious review of the disability application facts.

Los Angeles Fire and Police System

The Los Angeles Fire and Police System has a panel of physicians and requires that each respective medical problem reported by a disability applicant receive 3 medical examinations by 3 respective physicians. This a statutory requirement of the System's Charter. They do not have an in-house medical advisor.

Los Angeles City Employees' Retirement System

The Los Angeles Employees' Retirement System has a panel of physicians and requires that each respective medical problem reported by a disability applicant receive 3 medical examinations by 3 respective physicians. This a statutory requirement of the System's Charter. They do not have an in-house medical advisor.

Conclusion and Recommendation. LACERA should consider and further investigate the possibility of not providing physical examinations. There is the potential to save money by not having a LACERA panel physician examine the disability applicant. It should be noted that LACERA provided cost information indicates that expenditures for physician examinations have declined over the past 3 years.

LACERA Physician Examination Costs	
Fiscal Year	Amount
1998-1999	\$904,563
1999-2000	\$824,645
2000-2001	\$811,588

2. Sub Rosa Investigations

San Diego System

The San Diego System does not use sub-rosa investigations. It believes that there is no substantial benefit from them and that the disability applicant's case should rely on medical evidence provided by the member's physician and reviewed by the System's Medical Review Officer. It believes that the costs of paying for sub rosa's is greater than the benefits that might derive from periodically finding a member that is not disabled. It does not believe that sub rosa investigations will materially impact disability retirement costs. It was pointed out sub rosa reports can sometimes be misleading. For example, even though an applicant with a back problem is observed doing strenuous lifting of heavy objects, the applicant may still have a back problem and should not have been doing the strenuous lifting in the first place.

Los Angeles Fire and Police System

The Los Angeles Fire and Police System uses sub rosa investigations when they are warranted, on a case by case basis. The System believes it is important to use sub rosa's when necessary to ensure due diligence and ensure that there are no abuses.

Los Angeles City Employees' Retirement System

The Los Angeles City Employees' System does not use sub-rosa investigations. They believe there is not a substantial problem that would warrant the use of sub rosa investigations. It was pointed out by System staff that disability benefits, at 33% of last annual compensation, may be a mitigating factor in an applicant considering subterfuge.

Conclusion and Recommendation. LACERA should reevaluate the need for sub rosa investigations. The focus of such an analysis should consider the risks of not conducting sub rosas in contrast to the costs for conducting them. Currently, LACERA's annual costs for sub rosa investigations is \$133,481. This should be balanced against the risks associated with not conducting sub rosas.

3. Administrative Appeals

San Diego System

If an applicant disagrees with the Board decision, an administrative appeal can be requested. The San Diego System uses a private adjudication company for these appeals. It has used this method for 6 or 7 years. If it desired, the San Diego System could use referees as they are selected and used by LACERA.

The San Diego System believes that its method is the best way to have a process that appears to be, and is, completely impartial. The San Diego System does have in-house litigation counsel which represents it at these hearings.

Los Angeles Fire and Police System

The Los Angeles Fire and Police System does not have an administrative appeal process. However, if new information becomes available regarding a medical problem, the Retirement Board will review the disability case again. With each medical problem receiving 3 medical examinations, the possibility of a medical issue being overlooked is minimal.

Los Angeles City Employees' Retirement System

The Los Angeles System allows disability applicants to present their cases to the Board of Administration, if the Board has made an initial determination that it will not be granting disability retirement. There is no administrative appeal procedure that uses referees. When the applicants make their presentation to the Board they may use, and frequently, do use their own legal counsel.

Conclusion and Recommendation. LACERA may want to consider the approach to administrative appeals used by the San Diego Retirement System. In the course of our review of LACERA we did not hear any complaints that its methods for selecting and using referees resulted in impartial decisions. Nor were we requested to undertake a review of disability applicant opinions of LACERA referees. However, there was a concern raised that there may be a perception of bias in favor of LACERA by Referees.

4. Litigation Legal Counsel

San Diego System

The San Diego System has in-house legal counsel that it uses for representation at appeal hearings. It uses its own counsel because it believes that it receives more effective and efficient representation than if it used lawyers from the City Attorney's staff. It has also found that its own legal counsel sometimes determines and recommends, in the course of preparing for an appeal hearing, that the System's Retirement Board should approve a disability retirement application that it had originally denied.

Los Angeles Fire and Police System

The Los Angeles Fire and Police System uses the services of dedicated staff in the Los Angeles City Attorney's Office. These lawyers also provide legal services to the Los Angeles Department of Water and Power Pension System and the Los Angeles Employees Retirement System. These attorneys do not work on City worker's compensation cases.

Los Angeles City Employees' Retirement System

The Los Angeles City Employees' Retirement System also uses the services of dedicated staff in the Los Angeles City Attorney's Office.

Conclusion and Recommendation. Each of these organizations, based on their particular circumstances, believes that they receive effective legal counsel services, either from in-house or from a City Attorney's Office. In the case of services received from the Los Angeles City Attorney office, there are specific staff assigned on a full time basis to assist and represent the Retirement Systems. There is no information that suggests that LACERA should reconsider its current use of an in-house litigation office.

VI. CONSIDERATIONS FOR IMPROVING EFFICIENCY AND EFFECTIVENESS

We may be entering a time period in which there will be a greater need to focus on minimizing and controlling costs. Regardless of the times, a fundamental principle for all organizations is continual improvement, including a focus on costs.

In many organizations, the issue will be: “How do we continue to achieve our objectives, or even excel at meeting them, while at the same time increasing our efficiency?” Or the question may be more direct: “How do we do more with less?”

KPMG recommends that, as LACERA moves forward with its efforts to effectively and efficiently serve its members, it consider the following areas:

- **Organization alignment with mission and goals** On a regular basis (e.g. yearly), organizations should ensure that their operations are aligned with their mission and goals in order to eliminate extraneous unnecessary activities. Questions to ask are: Are we doing more than we should be doing? Are there certain activities that need improvement? Where do we need to make improvements?
- **Operating objectives** Sometimes, organizations establish operating objectives (e.g. process a certain document within 5 working days), which while noble and well-intentioned, are too severe in light of related goals and available resources.
- **Major cost categories** Budgetary categories with the biggest dollars can sometimes provide the biggest opportunities for improving efficiency.
- **Technology** Technology as a basis for improving efficiency and effectiveness should always be a consideration. There continue to be improvements in this field that may yield benefits to LACERA.
- **Employee involvement** Organizations which have achieved significant successes have many times noted that the key to their success was employees participation, at all levels of the organization, in identifying and implementing improvements. While any one of the improvements achieved may not be large in its impact, the accumulation of many incremental improvements have a significant impact on an organization’s efficiency and effectiveness.
- **Board support** KPMG, in its limited contact with LACERA’s Retirement Board, noticed that Retirement Board members had a consistent and positive interest in LACERA members and staff. This kind of support will continue to be valuable and essential in order for LACERA to improve and add value to the services provided to its members.

VII. INTERVIEWS, MEETINGS AND OBSERVATION LOG

KPMG appreciates the cooperation and assistance received from the following individuals with whom we met and interviewed for this project:

- Terri Kasman, Principal Accountant-Auditor, County of Los Angeles
- Les Robbins, Chairman, LACERA Retirement Board, represents safety members
- Warren Bennett, Vice Chairman, LACERA Retirement Board, appointed by Board of Supervisors
- Simon Russin, Secretary, LACERA Retirement Board, represents general members
- Mark Saladino, LACERA Retirement Board, statutory member
- Marsha Richter, Chief Executive Officer, LACERA
- David Muir, Chief Counsel, LACERA
- Sylvia Miller, Section Manager, Disability Services, LACERA
- Dr. Oliver Kuzma, Medical Advisor To LACERA
- Daniel McCoy, Chief Counsel, Disability Litigation, LACERA
- Richard Bendall, Assistant Chief, Internal Audit
- Dave Dover, Disability Retirement Specialist Supervisor, LACERA
- Fern Billingsley, Attorney, LACERA
- Mary Butler, Senior Disability Retirement Specialist
- Angie Guerrero, Disability Retirement Specialist
- Laura Delgado, Quality Control Staff Analyst, LACERA
- Roena Bernard, Staff Assistant, LACERA
- Thomas Wicke, Attorney, Represents Disability Applicants
- Edward Faunce, Attorney, Represents Disability Applicants
- Lawrence Grissom, Retirement Administrator, City of San Diego Employees' Retirement System
- D. Edward Griffiths, Executive Officer/Assistant General Manager, Los Angeles Fire and Police Pension System
- Chris Annala, Pension Claims Officer, Los Angeles Fire and Police Pension System
- Lorraine Osuna, Assistant General Manager, Los Angeles City Employees' Retirement System
- Mark Blunk, Senior Management Analyst II, Los Angeles City Employees' Retirement System

KPMG reviewed:

- LACERA Operations Manuals
- LACERA Board Of Retirement, Board Member Handbook
- LACERA Policies and Procedures Manuals
- LACERA internal memoranda
- LACERA publications provided to its members
- LACERA disability retirement applicant files (except for information pertaining to attorney-client privilege)

- LACERA operations and work activity reports
- LACERA Annual Reports
- LACERA Disability Applicant Case Files
- LACERA Web Site pages
- Court Cases relevant to the Study
- 37 Act Sections pertaining to this project, i.e. disability retirement application policies and procedures, confidentiality, referees,
- Prior studies of LACERA operations, including reports comparing LACERA to other 37 Act associations and other retirement organizations
- Information provided by 37 Act employee retirement organizations that were surveyed
- Information provided by the Los Angeles City Employees' Retirement System, Los Angeles Fire and Police Pension System and the San Diego Employee's Retirement System.

KPMG observed:

- LACERA Disability Division facilities
- LACERA Disability Division operations and staff
- LACERA Retirement Board Meetings

LACERA RESPONSE TO THE KPMG REPORT

The Auditor-Controller requires that LACERA have the opportunity to respond to the report prepared by KPMG. This section contains LACERA's response.



December 6, 2001

Mr. J. Tyler McCauley
Auditor-Controller
525 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012-2765

Subject: LACERA Disability Claims Retirement Study

Dear Mr. McCauley:

We have reviewed the draft Los Angeles County Employee Retirement Association Disability Claims Retirement Study (Disability Claims Study) dated October 29, 2001 prepared for you by KPMG LLP with particular attention to the recommendations. We are encouraged by the report and find the recommendations provide positive direction for improving the administration of the disability retirement evaluation process at LACERA.

Earlier this year our Boards of Retirement and Investments established goals for our organization that include the following commitments:

To act at all times as fiduciaries, executing our responsibilities exclusively on behalf of our members, beneficiaries and participating employers.

To promote and enhance the understanding of LACERA benefits among members, employers, County officials and the public.

To maximize investment returns and minimize long-term costs by employing prudent investment and actuarial policies and practices

To provide responsive and consistent quality service using integrated, cost-effective procedures and practices.

To manage growth and change through planning, innovation and the maximum use of available technology.

To develop a human resources program to recruit, train, develop and promote qualified staff, provide a quality work environment and enhance the quality of life for our employees.

We believe the KPMG recommendations provide LACERA with insights into how it can further address achieving these goals in relation to the disability retirement evaluation process. LACERA management reviewed the Disability Claim Study and provide the following initial response to these recommendations.

Privacy of Disability Application Files

Recommendation: LACERA should institute a program that documents its confidentiality procedures and practices, improves them as necessary, and that regularly tests their effectiveness.

Response: As noted by KMPG in the Disability Claim Study, LACERA places a high value on the confidentiality of member files and has procedures in place to protect confidentiality. LACERA agrees that documenting procedures and practices provides a framework to facilitate their consistent application and review for improvement. Additionally, LACERA recognizes the value and importance of regularly testing their effectiveness through periodic tests.

Litigation Office Effectiveness

Recommendation: LACERA should develop a formal approach that addresses the measurement of Litigation Office effectiveness and efficiency. It may also want to collect statistics that address member perceptions of the Litigation Office.

Response: the Litigation Office's Chief Counsel and ultimately the Board of Retirement currently measure the performance of the Litigation Office on a case-by-case basis. The Litigation Office does utilize caseload management to ensure cases are litigated timely and that sufficient resources are available to do so. LACERA recognizes the value in developing formalized standards that measure the Litigation Office's effectiveness and efficiency.

Reporting Capabilities

Recommendation: KMPG recommends that the (Disability Investigation) Division develop and incorporate workload data into its decision making regarding effectiveness and efficiency, and in decisions affecting the development and approval of its annual budget. We further recommend that the (Disability Investigation) Division commence this project by developing a small number of indicators so that the collecting and reporting of this data does not become a heavy burden that interferes with the focus on serving disability applicants.

Response: The LACERA Disability Investigation Division currently utilizes a variety of workload measurements in decision making and monitoring for effectiveness and efficiency at the case level, by investigator, and by total caseload. LACERA recognizes the value in expanding total caseload monitoring to include additional indicators.

Best Practices: Physician Examinations

Recommendation: LACERA should consider and further investigate the possibility of not providing physical examinations. There is the potential to save money by not having a LACERA panel physician examine the disability applicant.

Response: LACERA policy requires each disability application to have an applicant-supplied physician statement and a LACERA supplied physician statement. It is LACERA's belief that this approach provides the best foundation to reach the proper determination as to the disability application's merit. Relying solely on the applicant's physician statement may result in awarding disability benefits to applications without merit. It would only require a few errant disability benefit awards to negate the cost savings enjoyed by not having LACERA provided physician statements. As such, LACERA does not recognize the value in relying solely on the applicant's physician examinations.

Best Practices: Sub Rosa Investigations

Recommendation: LACERA should reevaluate the need for sub rosa investigations. The focus of such an analysis should consider the risks of not conducting sub rosas in contrast to the costs for conducting them.

Response: The sub rosa is an optional investigation tool that may be used to support the initial investigation, the administrative appeal process, or court hearings. The majority of disability claims do not include a sub rosa investigation. LACERA recognizes the value in evaluating the efficiency of sub rosa investigations.

Best Practices: Administrative Appeals

Recommendation: LACERA may want to consider the approach to administrative appeals used by the San Diego Retirement System.

Response: LACERA recognizes the value in evaluating having an external private adjudication company handle the administrative appeal hearings.

In conclusion, LACERA management will continue its review of the Disability Claim Study and explore ways to use the KMPG recommendations in a manner consistent with the Board of Retirement's organizational goals. LACERA management expects to review the completed report with the Board of Retirement and discuss their implementation analysis at that time.

We wish to extend our appreciation to the Board of Supervisors for commissioning the audit of LACERA's disability retirement process and to you, Mr. McCauley, and the staff of the Auditor-Controller's Office for the way the Supervisor's commission was carried out. We wish to especially thank Margaret McBride, Michael M. VanBrouaene and the entire KMPG audit team for their hard work and valuable contribution to LACERA's future success.

Sincerely,

A handwritten signature in cursive script that reads "Marsha D. Richter". The signature is written in black ink and is positioned above the printed name and title.

Marsha D. Richter
Chief Executive Officer

Appendix A

OVERVIEW OF LACERA DISABILITY SERVICES DIVISION PROCEDURES AND PRACTICES



Disability Process Flow

Client	Year-end
Los Angeles County Employee Retirement Association	June 30, 2001
Prepared by	Date
R Alfaro	Jan-02
	W/P reference

Purpose

To document the detailed and procedures and processes followed by the LACERA Disability Services Division to process member applications for disability retirement benefits.

Procedures

KPMG met with the following individuals and performed a walk-through of LACERA facilities and operations to obtain an understanding of the Disability Division's procedures, processes and work flow, on Friday, July 6, 2001:

- ✓ Sylvia Miller, Division Manager
- ✓ Dave Dover, Disability Retirement Specialist Supervisor (Investigator)
- ✓ Laura Delgado, Quality Control Staff Analyst
- ✓ Mary Butler, Senior Disability Retirement Specialist
- ✓ Angie Guerrero, Disability Retirement Specialist
- ✓ Roena Bernard, Staff Assistant, LACERA

In addition, KPMG reviewed the Division's policies and procedures notebook.

Observation

Based on our discussions with the above individuals, KPMG notes that the member disability application process encompass the following major steps:

- *Application Intake*
- *Initial Investigative Review*
- *Medical Appointment Setup*
- *Second Investigative Review*
- *Division Review and Recommendation*
- *Board Review*
- *Reporting*

Each of the above major functions is discussed further below.

Application Intake

Member disability applications are initially received by Roena Bernard, Staff Assistant. She reviews each application package to ensure that the following items are complete and properly signed by the applicant:

- "Application for Disability Retirement" including signature under penalty of perjury
- "Disability Applicant Missed Medical Appointment" affidavit

- “Treating Physician’s Diagnosis” signed by the physician
- “Claims Against 3rd Parties” affidavit
- “Authorization To Obtain and Release Records and Information”.

Upon review and acceptance of completeness, Ms. Bernard date stamps the application and prints out the member’s “General Information Inquiry” from the IRIS system. This system contains all member data, commencing with the member’s initial enrollment into one of the several LACERA retirement plans. The data captured in this database consists of:

- Social security number
- Plan type (Important because only plans A,B,C & D may receive disability benefits)
- Date of birth
- Classification as safety or general member
- County Department and start date
- Monies contributed to the plan
- Other miscellaneous data.

Ms. Bernard reviews system data to determine if the applicant is in plan E, if number of years of service is appropriate and that monies are available under the applicant’s plan. If any of the aforementioned criteria are not met the applicant may not be eligible to receive disability retirement benefits.

On a weekly basis, Ms. Bernard inputs data from all of the received and completed disability applications into the TRACKER system. The TRACKER system is used solely by the Disability Services Division. This system interfaces with MS Access and allows the user to capture and query a variety of data. Ms. Bernard’s data input consists of the general member’s years of service, type of disability retirement requested, membership status and nature of the disability. In addition to the data input, Ms. Bernard prepares the Weekly Statistical Report which is a list of all new disability applications received for the week and the “Disability Case Information Sheet” (DCIS). The disability applications, the DCIS report, the “Weekly Statistical Report” and any general information inquiries are routed to the Quality Control Staff Analyst (Laura Delgado). This position verifies that the data input into the TRACKER system is correct. Any discrepancies requiring correction are confirmed with the originator of the information. After this step is concluded, the disability application package is forwarded to Division Supervisor (Sylvia Miller), for her preliminary review of the disability application and assignment of the case to a Disability Specialist.

Initial Investigative Review

Ms. Miller, the Division Supervisor, has been with LACERA for over 10 years and has extensive experience processing disability claims . Ms. Miller reviews the nature of the disability claimed on the application, the applicant’s age and other relevant facts. Based on the nature of the case, she may assign it to a Disability Specialist or initially refer it to LACERA’s legal counsel for advice. When she assigns the case to a Disability Specialist, she may also provide guidance on how to proceed, including the use of a Sub Rosa investigation. Case assignments are made to one of the Division’s ten Disability Specialists, and are based primarily on their respective experience and current case load.

Upon the case's assignment, Ms. Miller will record the assigned Disability Specialist on the "Weekly Statistical Report and DCIS" sheet. The case is then routed back to Ms. Bernard for input into the TRACKER system. In connection with the input of the Disability Specialist, Ms. Bernard prepares a file merge for the following letters:

- Member Notification Letter: This letter is addressed to the member and alerts the member that various information will be requested on his/her behalf.
- Member Investigation Letter: This letter is prepared and sent on behalf of the assigned Disability Specialist. It provides the member with a contact number and status of the application.

The disability application and its contents are forwarded to the appropriate Disability Specialist who reviews the information in the applicant's file. The Disability Specialist initially reviews the file to ascertain how much time has elapsed from the member's discontinuation of service. Generally, if the member applies for disability after 3 years of service, the Disability Specialist will compile as much data as available to ascertain whether the disability existed as of the date of termination. For cases which have discontinuation periods of 5 years or more, as much medical information as possible is gathered by the Disability Specialist and then forwarded to the LACERA General Counsel's office for review and determination of prejudice.

In addition, the Disability Specialist reviews the application for completeness and participation in an approved LACERA retirement plan. The review by the Disability Specialist proceeds by gathering evidence (fact finding), by obtaining prior medical records from 3rd parties and obtaining other pertinent information. The Disability Specialist also interviews the applicant and at least one witness (the number of witnesses interviewed varies based on the nature of the case).

The Disability Specialist then drafts the preliminary "Disability Retirement Evaluation Report" (pending the medical evaluation) containing relevant work, medical history and injury facts. The Disability Specialist also determines, based on the type of injury stated by the applicant, the LACERA panel physician to which the applicant will be referred. Determination of the panel physician is performed with the assistance of the TRACKER database whereby the Disability Specialist selects an approved physician from the database using various pull down menus.]

The disability application file and recommended physician is forwarded to Ms. Miller for her second review. Ms. Miller reviews the Disability Specialist's preliminary report to assess its clarity, conciseness and relevance. Her review, more specifically, focuses on the

- Disability applicant's employment history
- Disability applicant's interview statements
- Disability applicant's stated symptoms (for all claimed injuries)
- Documentation of any difficulties in obtaining corroborating information
- Any other factors which may cause the Retirement Board to discuss the applicant's case at its monthly meeting.

The case file is then forwarded to Lorraine Veloz, Staff Assistant, who arranges the medical examination appointments.

Medical Appointments

To facilitate the physician appointment, the Disability Specialist prepares a “Medical Appointment Request” form. Based on the form, Ms. Veloz establishes a date and time for the applicant’s appointment and this information is entered into the TRACKER system for the respective applicant’s record. Ms. Veloz also generates a document inventory that sets forth the administrative, medical and legal records which will be provided to the panel physician, as well as any other relevant information. She then routes the package back to the Disability Specialist for review.

Upon Disability Specialist approval, Ms. Veloz generates the appropriate documentation to be sent to the applicant and the panel physician. This documentation is prepared via an automatic file merge between the TRACKER (a MS Access based system) and MS Word. The documents generated are :

- Member appointment letter identifying the date, time and panel physician
- Member quality control questionnaire to ensure physician effectiveness and level of service
- Panel physician letter stating applicant name, date of appointment and other relevant information about the applicant
- Physician report outline letter indicating the Board required information and format in accordance with LACERA policies.

Once completed, the documents are mailed to the applicant and physician.

Second Investigative Review

The panel physician has 30 days from the date of the member’s appointment to provide the Disability Specialist with the physician report, which sets forth the results of the physician’s examination of the disability applicant. The report, which must be prepared according to LACERA requirements regarding its format, is reviewed by the Disability Specialist. If needed, a supplemental physician’s report may be requested to further clarify the physician’s initial examination report. In addition to the report, the physician submits to LACERA a document entitled the “Physician’s Examination and Finding” worksheet. This worksheet requires that the physician explicitly state whether the applicant is permanently incapacitated and cannot perform the duties of his/her position and whether the disability is service, or non service connected. Both documents must signed by the physician.

Upon a review of the physician’s report, the Disability Specialist finalizes the “Disability Retirement Evaluation Report” by appending portions of the medical opinion and other relevant information. Then, the Disability Specialist inputs the physician and his/her own recommendation into the TRACKER system. Per Dave Dover, Disability Specialist Supervisor, the investigative staff recommendation rarely differs from the physician’s recommendation.

The next step is for the Disability Specialist to forward the applicant’s file to a Disability Retirement Specialist Supervisor for review. The Supervisor makes corrections or requests further information as deemed necessary.

The finalized file is then submitted to the Division Manager for the third and final review. The Manager's final review is to understand the conclusions reached in the report and the adequacy of supporting evidence presented by the panel physician. The Manager may request additional information, seek additional legal guidance or return the report to the Disability Specialist for additional re-work. If approved, Ms. Miller submits the "Disability Retirement Evaluation Report" to word processing staff who add the case to the Retirement Board agenda.

Retirement Board Review

The LACERA Retirement Board meets monthly. One of its primary agenda items is to review and vote on disability application requests. The Board (and its medical advisor) receive completed case files (containing relevant information on the disability applicant and staff's recommended disposition) approximately 1-2 weeks before the Board meeting. The determination of each application is made during closed session and may involve participation by the applicant and the applicant's attorney if retained.

KPMG notes based on inquiry with Ms. Miller and observation, that the Board utilizes the medical advisor Dr. Kuzma in understanding and ascertaining the reasonableness of the panel physician's conclusions and recommendations. This review provides the Board with a level of technical expertise required to identify problematic issues or concerns.

Upon determination, (approval/denial) respective Disability Specialists contact each applicant regarding the Board's decision. The Board's decision is also placed in the applicant's file. Additionally, the Board meeting's minutes also document the resolution of each case. Finally, the file documents the action taken by the Board on the "Disability Retirement Evaluation Summary". The "Disability Retirement Evaluation Summary" is then forwarded to Ms. Bernard for input of the action and Board date in the TRACKER system.

For cases which result in an adverse opinion towards the applicant, the applicant has 30 days from the date of notification to file an appeal. Appeals are heard by a LACERA referee. Cases involving appeals are automatically turned over to the Disability Litigation Office. KPMG notes that Ms. Miller and staff are involved in the litigation in the capacity of providing additional information on an as needed basis.

Reporting

KPMG notes per Ms. Delgado and our observation, that the TRACKER system is very flexible and has the capacity to query data in various forms. KPMG notes that the Disability Division generates the following two reports on at least a monthly basis:

- **Pending cases report**: This report identifies the total number of cases outstanding. In addition, this report details the cases pending by each Disability Specialist as well as the number of cases which have not been assigned. This report is utilized primarily by Ms. Miller and the disability specialists to ensure that cases are dealt with in a timely fashion.

- **Monthly statistics worksheet:** This report captures the number of cases outstanding, received and processed in the aggregate for the month. It includes the number of cases denied, held over and dropped. The report is generated manually by performing various queries in the TRACKER system. Ms. Delgado verifies the accuracy of the report by cross checking the results to the Board Agenda's and "Weekly Statistical Report". This information is provided internally to Ms. Miller and the Board.

On an ad hoc basis, Ms. Delgado provides other reports for the Department's or internally as requested.

Problems/Concerns/Areas for Improvement

Based on the walkthrough performed above, KPMG notes that the organization may streamline certain procedures which require re-input of data. As described above, this is most evident with:

- **Weekly Statistical Report:** Ms. Bernard enters all pertinent case information into TRACKER but re-keys similar data into a Word document. Staff should utilize the flexibility and query functionality of their system to eliminate the re-input of data. The current process is performed once per week and consumes only 30-35 minutes.

APPENDIX B

**RESULTS OF REVIEW OF LACERA
CASE FILES TO DETERMINE COMPLIANCE**

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

								<i>Application Contents Present & Signed?</i>							
								<i>Application</i>	<i>Physician Statement</i>	<i>Release Authorization</i>	<i>3rd Party Release</i>	<i>Missed Medical Appt. Affidavit</i>	<i>Member Notification</i>	<i>Proper Action Taken By Dis</i>	
Name	Application Date	Last Day Of Work	Years of Service	Disability	Action	Date									
Applicant 1	11/03/99	8/2/1996	25	Psychological	NSCD	01/03/01	427	Y	Y	Y	Y	Y	Y		
Applicant 2	01/16/01	1/27/2000	18	Both Knees	SCD	05/02/01	106	Y	Y	Y	Y	Y	Y		
Applicant 3	02/17/00	10/3/1998	31	Cardiovascular, Heart Attack	SCD	02/07/01	356	Y	Y	Y	Y	Y	Y		
Applicant 4	04/05/00	1/18/2000	31	Post traumatic degenerative changes	SCD	09/06/00	154	Y	Y	Y	Y	Y	Y		
Applicant 5	09/05/00	12/6/1999	8	HIV, Depression	SCD	06/06/01	274	Y	Y	Y	X	Y	Y		
Applicant 6	01/07/00	10/24/1999	26	Heart, Hypertension	SCD	07/05/00	180	Y	Y	Y	Y	Y	Y		
Applicant 7	03/27/00	2/6/1999	32	Rt hip, Back, Shoulders, Knees	SCD	11/01/00	219	Y	Y	Y	Y	Y	Y		
Applicant 8	05/26/00	8/19/2000	34	Both Knees	SCD	10/04/00	131	Y	Y	Y	Y	Y	Y		
Applicant 9	11/29/99	10/15/1997	29	Cardiovascular	SCD	01/03/01	401	Y	Y	Y	Y	Y	Y		
Applicant 10	08/21/00	8/19/2000	22	Arteriosclerotic Heart Disease	SCD	02/07/01	170	Y	Y	Y	^	^	Y		
Applicant 11	04/02/99	1/15/1999	32	Hypertension	SCD	07/05/00	460	Y	Y	Y	Y	Y	Y		
Applicant 12	08/18/00	8/10/2000	18	Sinus Condition	SCD	04/04/01	229	Y	Y	Y	Y	Y	Y		
Applicant 13	05/19/98	8/31/1997	6	Psychological	SCD	12/06/00	932	Y	Y	Y	Y	Y	Y		
Applicant 14	04/17/00	11/1/1999	31	General anxiety	SCD	10/04/00	170	Y	Y	Y	Y	Y	Y		
Applicant 15	10/21/00	6/2/2000	10	Extremities	review	04/04/01	165	Y	Y	Y	Y	Y	Y		
Applicant 16	05/26/00	5/7/1999	3	Both Knees	SCD	02/07/01	257	Y	Y	Y	Y	Y	Y		
Applicant 17	07/14/00	3/30/1999	2	Back	SCD	04/04/01	264	Y	Y	Y	Y	Y	Y		
Applicant 18	09/26/00		12	Heart	SCD	04/04/01	190	Y	Y	Y	Y	Y	Y		
Applicant 19	11/06/00	2/27/2000	9	Anxiety	SCD	06/06/01	212	Y	Y	Y	Y	Y	Y		
Applicant 20	09/13/00	4/22/2000	10	Psychological	SCD	04/04/01	203	Y	Y	Y	Y	Y	Y		

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

								<i>Application Contents Present & Signed?</i>							
								<i>Application</i>	<i>Physician Statement</i>	<i>Release Authorization</i>	<i>3rd Party Release</i>	<i>Missed Medical Appt. Affidavit</i>	<i>Member Notification</i>	<i>Proper Action Taken By Dis</i>	
Application	Last Day	Years of			Action										
Name	Date	Of Work	Service	Disability	Action	Date									
Applicant 21	08/18/99	7/18/1998	10	Depression	Deny SCD	11/01/00	441	Y	Y	Y	Y	Y	Y	Y	
Applicant 22	07/06/00	3/21/1999	33	Back	Denied SCD	03/07/01	244	Y	Y	Y	Y	Y	Y	Y	
Applicant 23	08/18/98	3/10/1998	32	Gastrointestinal	Deny SCD	02/07/01	904	Y	Y	Y	Y	Y	Y	Y	
Applicant 24	08/16/00	2/16/1999	26	Hypertensive cardiovascular disease	Deny SCD	02/07/01	175	Y	Y	Y	Y	Y	Y	Y	
Applicant 25	11/04/99	5/24/1992	8	Depression	Deny SCD	05/02/01	545	Y	Y	Y	Y	Y	Y	+	
Applicant 26	07/28/00	5/3/1999	25	Moderate to profound sensorineural hearing loss	Deny SCD	05/02/01	278	Y	Y	Y	Y	Y	Y	Y	
Applicant 27	10/05/99	2/4/1998	6	Stress	Deny SCD	08/02/00	302	Y	Y	Y	Y	Y	Y	Y	
Applicant 28	12/17/99	5/13/1999	4	Chronic Lumbosacral sprain	Deny SCD	05/02/01	502	Y	Y	Y	Y	Y	Y	Y	
Applicant 29	10/20/99	10/23/1999	30	Depressive Disorder	Deny SCD	08/02/01	652	Y	Y	Y	Y	Y	Y	Y	
Applicant 30	08/11/00	X	33	Cardiovascular	Deny NSCD	05/02/01	264	Y	Y	Y	Y	Y	Y	Y	
Applicant 31	10/12/00	7/6/1998	31	Psychological	Retroactive to date following last day of	05/02/01	202	Y	Y	Y	Y	Y	Y	Y	
Applicant 32	02/11/00	3/30/2000	26	Stress	Grant NSCD	10/04/00	236	Y	Y	Y	X	Y	Y	Y	
Applicant 33	02/07/00	11/15/1999	7	Psychological	Grant NSCD	09/06/00	212	Y	Y	Y	Y	Y	Y	Y	
Applicant 34	08/30/00	10/16/1997	26	Retina right eye	Grant NSCD	06/06/01	280	Y	Y	Y	Y	Y	Y	Y	
Applicant 35	05/01/00	2/14/2000	29	Heart Attack	Grant NSCD	02/07/01	282	Y	Y	Y	Y	Y	Y	Y	

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

							<i>Application Contents Present & Signed?</i>							
							<i>Application</i>	<i>Physician Statement</i>	<i>Release Authorization</i>	<i>3rd Party Release</i>	<i>Missed Medical Appt. Affidavit</i>	<i>Member Notification</i>	<i>Proper Action Taken By Dis</i>	
Application	Last Day	Years of			Action									
Name	Date	Of Work	Service	Disability	Action	Date								
Applicant 36	09/30/99	4/28/1999	29	Stress	Grant NSCD	02/07/01	496	Y	Y	Y	Y	Y	Y	
Applicant 37	06/05/00	3/20/2000	32	Psychological	retroactive to date following last date of	01/03/01	212	Y	Y	Y	Y	Y	Y	
Applicant 38	04/21/00	2/23/1999	24	Stress	Grant SCD	04/04/01	348	Y	Y	Y	Y	Y	Y	
Applicant 39	11/18/99	10/30/1998	25	Job Stress	Grant SCD	06/06/01	566	Y	Y	Y	Y	Y	Y	
Applicant 40	04/28/00	4/4/1998	8	Brain Tumor	Grant SCD	11/01/00	187	Y	Y	Y	Y	Y	Y	
Applicant 41	03/17/00	2/10/1997	2	Cervical Spine	Grant SCD-retroactive to date following last date of compensation n	01/03/01	292	Y	Y	Y	Y	Y	Y	
Applicant 42	03/14/00	4/21/1999	9	Hypertension, stroke	Grant SCD	02/07/01	330	Y	Y	Y	Y	Y	Y	
Applicant 43	05/13/99	8/12/1997	29	292.12 amphetamine induced psychotic disorder	retroactive to date following last date of	08/02/00	447	Y	Y	Y	Y	Y	Y	
Applicant 44	09/18/00	9/27/2000	33	Spine	Grant SCD	02/07/01	142	Y	Y	Y	Y	Y	Y	
Applicant 45	10/10/96	8/3/1995	6	Psychological	Grant SCD/ 2 yr review	10/01/97	356	Y	Y	Y	#	#	Y	
Applicant 46	04/23/96	4/26/1995	6	Lumbar Disk	Grant SCD/ 2 yr review	01/09/97	261	Y	Y	Y	#	#	Y	
Applicant 47	06/19/98	6/28/1997	7	Back Injury	Appealed, Grant SCD	05/02/01	1048	Y	Y	Y	Y	Y	Y	

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

								<i>Application Contents Present & Signed?</i>							
								<i>Application</i>	<i>Physician Statement</i>	<i>Release Authorization</i>	<i>3rd Party Release</i>	<i>Missed Medical Appt. Affidavit</i>	<i>Member Notification</i>	<i>Proper Action Taken By Dis</i>	
Application	Last Day	Years of	Disability	Action	Date										
Name	Date	Of Work	Service	Disability	Action	Date									
Applicant 48	11/18/96	8/20/1996	27	Injuries to Back and Spine	Grant NSCD	02/07/01	1542	Y	Y	Y	#	#	Y	Y	
Applicant 49	10/16/97	11/27/1995	34	Hypertension, Stroke	Deny SCD, Grant NSCD	01/03/01	1175	Y	Y	Y	#	#	Y	Y	
Applicant 50	03/19/97	9/21/1994	9	Idiopathic Immune Disorder, Chronic Fatigue Syndrome	Grant NSCD	08/06/97	140	Y	Y	Y	#	#	Y	Y	

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

Case No.	Based on C. Of Svc	Investigative Procedures Adequate?						Sufficient Medical Support?						Result Proposed	
		Applicant Interviewed	Witnesses Interviewed	Disciplinary Cases Investigated	Investigator Retirement Eval Present & Consistent w/ P&P	Medical Report and Findings Present	Consistent w/ Report Guidelines	Appropriate follow- up on questionable cases performed.	Prior Medical History Documented	Class Specification Documented	Results Appropriately Documented	Action Consistent w/ Evidence			
Name															
Applicant 1		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Applicant 2		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 3		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 4		Y	@	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 5		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 6		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 7		Y	@	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 8		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 9		Y	@	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 10		^	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 11		Y	@	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 12		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 13		Y	X	NCN	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Applicant 14		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 15		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 16		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 17		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Applicant 18		Y	Y	Y	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y
Applicant 19		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Applicant 20		Y	Y	NCN	Y	Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

	Based on # of Svc	Investigative Procedures Adequate?						Sufficient Medical Support?						Result Properly Documented?	
		Applicant Interviewed	Witnesses Interviewed	Disciplinary Cases Investigated	Investigator Retirement Eval Present & Consistent w/ P&P	Medical Report and Findings Present	Consistent w/ Report Guidelines	Appropriate follow- up on "questionable" cases performed	Prior Medical History Documented	Class Specification Documented	Results Appropriately Documented	Action Consistent w/ Evidence			
Name															
Applicant 21		Y	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y
Applicant 22		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 23		Y	@	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 24		Y	@	NCN	Y		Y	Y	NCN	Y	Y			X	Y
Applicant 25		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 26		Y	@	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 27		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 28		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	X
Applicant 29		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 30		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 31		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 32		Y	Y	NCN	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 33		Y	Y	Y	Y		Y	Y	NCN	Y	Y			Y	Y
Applicant 34		Y	@	NCN	Y		Y	Y	Y	Y	Y			Y	Y
Applicant 35		Y	Y	NCN	Y		Y	Y	Y	Y	Y			Y	Y

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

Case No.	Based on C. Of Svc	Investigative Procedures Adequate?						Sufficient Medical Support?						Result Pro	
		Applicant Interviewed	Witnesses Interviewed	Disciplinary Cases Investigated	Investigator Retirement Eval Present & Consistent w/ P&P	Medical Report and Findings Present	Consistent w/ Report Guidelines	Appropriate follow- up on "questionable" cases performed	Prior Medical History Documented	Class Specification Documented	Results Appropriately Documented	Action Consist w/ Evidence			
Name															
Applicant 36		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 37		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 38		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 39		Y	Y	NCN	Y	Y	NCN	Y	Y	Y	Y			Y	Y
Applicant 40		Y	@	NCN	Y	Y	NCN	Y	Y	Y	Y			Y	Y
Applicant 41		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 42		Y	Y	NCN	Y	Y	NCN	Y	Y	Y	Y			Y	Y
Applicant 43		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 44		Y	@	NCN	Y	Y	NCN	Y	Y	Y	Y			Y	Y
Applicant 45		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 46		Y	Y	NCN	Y	Y	Y	Y	Y	Y	Y			Y	Y
Applicant 47		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y	Y

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

		<i>Investigative Procedures Adequate?</i>							<i>Sufficient Medical Support?</i>							<i>Result Pro</i>	
		<i>Based on C. Of Syc</i>	<i>Applicant Interviewed</i>	<i>Witnesses Interviewed</i>	<i>Disciplinary Cases Investigated</i>	<i>Investigator Retirement Eval Present & Consistent w/ P&P</i>								<i>Results Appropriately Documented</i>	<i>Action Consist w/ Eviden</i>		
Name																	
Applicant 48		Y	Y	NCN	Y				Y	Y	NCN	Y	Y			Y	Y
Applicant 49		Y	Y	NCN	Y				Y	Y	NCN	Y	Y			Y	Y
Applicant 50		Y	@	NCN	Y				Y	Y	NCN	Y	Y			Y	Y

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

	<i>Properly Documented?</i>			
	<i>Action documented in the file consistent w/ Board Minutes</i>	<i>Member Notified of Determination</i>	<i>System Information Agrees to the File</i>	
Name				
Applicant 1	Y	Y	Y	
Applicant 2	Y	Y	Y	
Applicant 3	Y	Y	Y	
Applicant 4	Y	Y	Y	
Applicant 5	Y	Y	Y	
Applicant 6	Y	Y	Y	
Applicant 7	Y	Y	Y	
Applicant 8	Y	Y	Y	
Applicant 9	Y	Y	Y	
Applicant 10	Y	Y	Y	
Applicant 11	Y	Y	Y	
Applicant 12	Y	Y	Y	
Applicant 13	Y	Y	Y	
Applicant 14	Y	Y	Y	
Applicant 15	Y	Y	Y	
Applicant 16	Y	Y	Y	
Applicant 17	Y	Y	Y	
Applicant 18	Y	Y	Y	
Applicant 19	Y	Y	Y	
Applicant 20	Y	Y	Y	

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

	Properly Documented?				
	ent ice	Action documented in the file consistent w/ Board Minutes	Member Notified of Determination	System Information Agrees to the File	
Name					
Applicant 21	Y	Y	Y	Y	
Applicant 22	Y	Y	Y	Y	
Applicant 23	Y	Y	Y	Y	
Applicant 24	Y	Y	Y	Y	
Applicant 25	Y	Y	Y	Y	
Applicant 26	Y	Y	Y	Y	
Applicant 27	Y	Y	Y	Y	
Applicant 28	Y	Y	Y	Y	
Applicant 29	Y	Y	Y	Y	
Applicant 30	Y	Y	Y	Y	
Applicant 31	Y	Y	Y	Y	
Applicant 32	Y	Y	Y	Y	
Applicant 33	Y	Y	Y	Y	
Applicant 34	Y	Y	Y	Y	
Applicant 35	Y	Y	Y	Y	

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

	Properly Documented?				
	Document in file	Action documented in the file consistent w/ Board minutes	Member Notified of Determination	System Information Agrees to the File	
Name					
Applicant 36	Y	Y	Y		
Applicant 37	Y	Y	Y		
Applicant 38	Y	Y	Y		
Applicant 39	Y	Y	Y		
Applicant 40	Y	Y	Y		
Applicant 41	Y	Y	Y		
Applicant 42	Y	Y	Y		
Applicant 43	Y	Y	Y		
Applicant 44	Y	Y	Y		
Applicant 45	Y	Y	Y		
Applicant 46	Y	Y	Y		
Applicant 47	Y	Y	Y		

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

KPMG

	<i>Properly Documented?</i>				
	Account Balance	Action documented in the file consistent w/ Board minutes	Member Notified of Determination	System Information Agrees to the File	
Name					
Applicant 48	Y	Y	Y		
Applicant 49	Y	Y	Y		
Applicant 50	Y	Y	Y		

**LACERA Study For The Los Angeles County Auditor-Controller
File Compliance Review**

					<i>Application Contents Present & Signed?</i>																
					<div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Application</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Physician Statement</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Release Authorization</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">3rd Party Release</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Missed Medical Appt. Affidavit</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Member Notification</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Proper Action Taken By Dis</div> </div>																
	Years of			Action																	
Name	Service #	Disability	Action	Date																	
		KPMG notes that these forms were not part of the required procedures for LACERA during the period when the claims were filed. Since this procedure was not performed, the absence of these documents for these cases appears reasonable.																			
		KPMG notes that the claimant in this case was the spouse applying for survivor benefits. Therefore, the applicant was not interviewed and the forms referenced above were not required.																			
		KPMG notes that the individual lost a previous claim in court and subsequent to that, applied for a new disability. LACERA processed the new claim which was eventually denied.																			
		KPMG notes that these items are un-explained exceptions.																			
		Attribute was present and complete in accordance with LACERA policies and procedures																			
		Not considered necessary based on the nature and type of the claim and information provided.																			
		KPMG noted that for these cases a witness interview was not necessary due to the extensive amount of medical evidence already available. Examples include orthopedic cases for which the claimant has a well documented medical history through the work term; special presumptions which automatically qualify the claimant for service connected disability; or the individual has filed a continuous trauma claim. In all other circumstances witnesses are interviewed.																			

APPENDIX C

**SURVEY QUESTIONNAIRE & SURVEY
RESPONSES FROM 37 ACT ASSOCIATIONS**

KPMG Letterhead

Date:

Name

Address etc.

Dear :

KPMG has been asked by the County of Los Angeles to review certain policies, procedures and practices of the Los Angeles County Employees Retirement Association (LACERA), in particular those operations pertaining to disability retirement applications. As part of this review, we would like to obtain some relevant information from other 37 Act retirement associations.

This short 2 page questionnaire is being sent to the following 37 Act retirement associations:

- 1 Alameda County
- 2 Contra Costa County
- 3 Orange County
- 4 San Bernardino County
- 5 San Diego County
- 6 Ventura County
- 7 Santa Barbara County

Upon the completion of our review, we will provide each of you with the results of this survey.

The completed questionnaire should be sent to:

Michael VanBruaene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

An addressed envelope with postage has been included for your convenience.

If you have questions please contact me at KPMG LLP, 213/430-2166; Terri Kasnman, Los Angeles County Auditor-Controller's Office at 213/974-8475; or Sylvia Miller, LACERA Disability Services at 626/564-2401.

Thanking you in advance for your assistance.

KPMG LLP

Michael VanBruaene
Manager

**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership _____?
Of your total membership, what is your total non-safety membership _____?
Of your total membership, what is your total safety membership _____?

In Fiscal Year 2001,

How many disability retirement applications did you receive _____?

Of these applications,

How many were for service connected disability _____?

How many were for non-service connected disability _____?

How many were from public safety members _____?

How many were from non-public safety members _____?

In Fiscal Year 2001,

What was your total full time equivalent staff _____?

What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) _____?

If possible please provide a breakdown by position.

In Fiscal Year 2001,

How many disability retirement applications were denied _____?

Of those denied, how many were from non-safety personnel _____?

Of those denied, how many were from safety personnel _____?

Section II

When there is an appeal before a Referee, do you use the services of:

County Counsel _____,

In-House Counsel _____,

Outside law firm _____, or

No legal Counsel _____.

In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no); _____, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) _____?

Or do you have some other procedure?

Name of person completing this questionnaire: _____;

Title _____;

Telephone number _____;

Name of retirement association _____

If you have any questions about this questionnaire please contact Michael VanBrauene, KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrauene

KPMG LLP

355 South Grand Avenue

Suite 2000

Los Angeles, California 90071

Los Angeles County

**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

✓ LACERA Survey Response

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership _____? ****Please view attached****
Of your total membership, what is your total non-safety membership _____?
Of your total membership, what is your total safety membership _____?

In Fiscal Year 2001,

How many disability retirement applications did you receive 480 ?

Of these applications,

How many were for service connected disability 460 ?

How many were for non-service connected disability 20 ?

How many were from public safety members 289?

How many were from non-public safety members 191?

In Fiscal Year 2001,

What was your total full time equivalent staff? 241 (not including contract employees and agency temporary staff.

What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) 21?

If possible please provide a breakdown by position.

In Fiscal Year 2001,

How many disability retirement applications were denied 104 ?

Of those denied, how many were from non-safety personnel 62 ?

Of those denied, how many were from safety personnel 42 ?

Section II

When there is an appeal before a Referee, do you use the services of:

County Counsel _____,

In-House Counsel 4,

Outside law firm 4, or

No legal Counsel _____.

In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

We reorganized our staff into 2 teams. We now have 2 supervisors, one for each team. We have also developed a staff for quality control of information in our database and for statistics.

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

Bi-monthly review of pending case status report. Yearly review of cases submitted to the Board of Retirement.

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

Present a minimum of 60 cases per year to the Board of Retirement. Interview applicants within 120 days of application.

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

Bi-monthly review of pending case status report. Yearly review of cases submitted to the Board of Retirement.

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no); Yes, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) _____?

Or do you have some other procedure?

Name of person completing this questionnaire: Sylvia R. Miller ;

Title Manager, Disability Retirement Services;

Telephone number (626) 564-2401 ;

Name of retirement association Los Angeles County Employees' Retirement Association
(LACERA)

If you have any questions about this questionnaire please contact Michael VanBrauene,
KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrauene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

The total numbers of disability applications received per fiscal year are as follows:

1997-426

1998-433

1999-453

2000-490

Statistical Section

Active/Deferred Members, and Unclaimed Accounts

	1996	1997	1998	1999	2000	2001
Active Vested						
General	40,478	42,461	43,444	44,436	46,366	47,056
Safety	8,952	9,269	9,005	8,795	8,789	8,900
Sub-Total	49,430	51,730	52,449	53,231	55,155	55,956
Active Non Vested						
General	23,379	21,759	22,334	24,216	25,574	27,992
Safety	1,797	1,590	1,942	2,229	2,475	3,121
Sub-Total	25,176	23,349	24,276	26,445	28,049	31,113
Total Active Members						
General	63,857	64,220	65,778	68,652	71,940	75,048
Safety	10,749	10,859	10,947	11,024	11,264	12,021
Total	74,606	75,079	76,725	79,676	83,204	87,069
Deferred Members						
General	3,980	4,101	4,624	4,859	5,076	5,325
Safety	150	154	152	160	162	179
Total	4,130	4,255	4,776	5,019	5,238	5,504
Unclaimed Accounts						
General	104	75	35	29	18	1,196
Safety	4	3	2	1	1	43
Total	108	78	37	30	19	1,239

Santa Barbara County



GARY L. FERAMISCO
TREASURER-ADMINISTRATOR

Bernice James
Assistant

Mailing Address:
Post Office Box 2490
Santa Barbara, CA 93120-2490



EMPLOYEES' RETIREMENT SYSTEM

{ } 105 E. Anapamu St., Room 301, Santa Barbara
Telephone (805) 568-2940
Telecopier (805) 568-2487

{ } 511 E. Lakeside Parkway, Santa Maria
Telephone (805) 346-8338
Telecopier (805) 346-8331

DATE: October 25, 2001
TO: Michael VanBruaene, KPMG
FROM: Annette Paladino, Disability Retirement Manager SBCERS
RE: RESPONSES TO SURVEY

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year December 31, 2001:

What is your Total Membership: **7319**

Breakdown:

Total non-safety active members:	3631
Total non-safety deferred members:	495
Total non-safety retired members:	<u>1755</u>
Total non-safety members:	5881
Total safety active members:	953
Total safety deferred members:	107
Total safety retired members:	<u>378</u>
Total safety members:	1438

In Fiscal Year 2001, how many disability retirement applications did you receive?

36

Of these, how many were for service-connected disability?

34

How many were from public safety members?

9

What was your total full time equivalent staff?

9

What was your total full time staff directly involved in processing disability retirement applications?

2 – Disability Retirement Specialist and Disability Retirement Manager

How many disability applications were denied?

7 – 4 nonsafety and 3 safety

Section II

When there is an appeal before a referee, do you use the services of CC, in-house counsel, outside law firm or no legal counsel?

Outside law firm

Did you make any changes to the procedures and processes related to disability applications? If so, briefly describe them below.

We are now giving disability retirement applicants the opportunity for input in the development of the Job Factors Form for their assignment. The Job Factors Form documents the applicant's usual job tasks and the corresponding physical demands. Formerly, the disability staff created the Job Factors Form working solely with the employer. We have now begun to allow the applicant to review the draft document, and we include applicant comments in the final draft. The completed Job Factors Form is sent to the Independent Medical Examiner, along with the applicant's chronological medical records.

Are you considering any changes, or plan to implement changes in these procedures and process during the current Fiscal Year? If so, could you briefly describe them?

We recently became independent of the County Treasurer's Office, although we are still located in the Treasurer's suite. While we are still fairly new at assessing the problems or special issues that arise from independence, we anticipate that we will be revising our bylaws in the near future. We are contemplating whether to remove the disability retirement application process from our Bylaws, and document the process in a separate Disability Retirement/Hearing Procedures booklet for distribution to the members. However, I do not anticipate major changes to the application process itself.

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications. If so, what are they?

We do not use statistics for measuring effectiveness. However, the job performance of each probationary staff member is rated quarterly for 1 year. Permanent staff's job performance is rated yearly. Rated factors include productivity, job knowledge, judgment, analytical ability, quality of work, written and oral expression, interpersonal relations, work habits, etc.

Does staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

Currently, we do not have formal performance objectives. However, the Trustees are considering adopting formal performance measures in the future.

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability retirement applications, If so, what are they?

We do not use statistical information to analyze the effectiveness of our disability retirement staff.

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review?

Yes, staff submits to the Trustees a comprehensive case summary, including the basis of the Application, a summary of the medical treatment, the opinion of the independent medical examiner, a detailed job description (Job Factors Form), an analysis of pertinent issues, and a recommended Board action.

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board?

Staff does not make a decision on the application. Staff simply makes a recommendation to the Board. The case summary, along with the recommendation, is sent to the Trustees one week prior to the monthly Board meeting. Also, one week prior to the Board meeting, the applicant (or their counsel) is notified of the staff recommendation by mail. If the Board ultimately takes action to deny the application, the applicant is immediately notified of their right to request, within three weeks of the Board's action, an evidentiary hearing before a referee.

Name of person completing this questionnaire:

**Annette Paladino
Disability Retirement Manager
(805) 568-2915
Santa Barbara County Employees Retirement System**

GARY L. FERAMISCO
TREASURER-ADMINISTRATOR

Bernice James
Assistant

Mailing Address:
Post Office Box 2490
Santa Barbara, CA 93120-2490



EMPLOYEES' RETIREMENT SYSTEM

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{ } 511 E. Lakeside Parkway, Santa Maria
Telephone (805) 346-8338
Telecopier (805) 346-8331

DATE: September 4, 2001
TO: Michael VanBruaene, KPMG
FROM: Annette Paladino, Disability Retirement Manager SBCERS
RE: **RESPONSES TO SURVEY**

Section I

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How many disability applications were denied?

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Section II

When there is an appeal before a referee, do you use the services of CC, in-house counsel, outside law firm or no legal counsel?

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Did you make any changes to the procedures and processes related to disability applications? If so, briefly describe them below.

We are now giving disability retirement applicants the opportunity for input in the development of the Job Factors Form for their assignment. The Job Factors Form documents the applicant's usual job tasks and the corresponding physical demands. Formerly, the disability staff created the Job Factors Form working solely with the employer. We have now begun to allow the applicant to review the draft document, and we include applicant comments in the final draft. The completed Job Factors Form is sent to the Independent Medical Examiner, along with the applicant's chronological medical records.

Are you considering any changes, or plan to implement changes in these procedures and process during the current Fiscal Year? If so, could you briefly describe them?

We recently became independent of the County Treasurer's Office, although we are still located in the Treasurer's suite. While we are still fairly new at assessing the problems or special issues that arise from independence, we anticipate that we will be revising our bylaws in the near future. We are contemplating whether to remove the disability retirement application process from our Bylaws, and document the process in a separate Disability Retirement/Hearing Procedures booklet for distribution to the members. However, I do not anticipate major changes to the application process itself.

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We do not use statistics for measuring effectiveness. However, the job performance of each probationary staff member is rated quarterly for 1 year. Permanent staff's job performance is rated yearly. Rated factors include productivity, job knowledge, judgment, analytical ability, quality of work, written and oral expression, interpersonal relations, work habits, etc.

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Name of person completing this questionnaire:

**Annette Paladino
Disability Retirement Manager
(805) 568-2915
Santa Barbara County Employees Retirement System**

GARY L. FERAMISCO
TREASURER-ADMINISTRATOR

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Assistant

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Telephone (805) 346-8338
Telecopier (805) 346-8331

DATE: September 10, 2001
TO: Michael VanBruaene, KPMG
FROM: Annette Paladino, Disability Retirement Manager SBCERS
RE: **RESPONSES TO SURVEY**

Section I

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Outside law firm

Did you make any changes to the procedures and processes related to disability applications? If so, briefly describe them below.

We are now giving disability retirement applicants the opportunity for input in the development of the Job Factors Form for their assignment. The Job Factors Form documents the applicant's usual job tasks and the corresponding physical demands. Formerly, the disability staff created the Job Factors Form working solely with the employer. We have now begun to allow the applicant to review the draft document, and we include applicant comments in the final draft. The completed Job Factors Form is sent to the Independent Medical Examiner, along with the applicant's chronological medical records.

Are you considering any changes, or plan to implement changes in these procedures and process during the current Fiscal Year? If so, could you briefly describe them?

We recently became independent of the County Treasurer's Office, although we are still located in the Treasurer's suite. While we are still fairly new at assessing the problems or special issues that arise from independence, we anticipate that we will be revising our bylaws in the near future. We are contemplating whether to remove the disability retirement application process from our Bylaws, and document the process in a separate Disability Retirement/Hearing Procedures booklet for distribution to the members. However, I do not anticipate major changes to the application process itself.

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications. If so, what are they?

We do not use statistics for measuring effectiveness. However, the job performance of each probationary staff member is rated quarterly for 1 year. Permanent staff's job performance is rated yearly. Rated factors include productivity, job knowledge, judgment, analytical ability, quality of work, written and oral expression, interpersonal relations, work habits, etc.

Does staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

Currently, we do not have formal performance objectives. However, the Trustees are considering adopting formal performance measures in the future.

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability retirement applications, If so, what are they?

We do not use statistical information to analyze the effectiveness of our disability retirement staff.

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review?

Yes, staff submits to the Trustees a comprehensive case summary, including the basis of the Application, a summary of the medical treatment, the opinion of the independent medical examiner, a detailed job description (Job Factors Form), an analysis of pertinent issues, and a recommended Board action.

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board?

Staff does not make a decision on the application. Staff simply makes a recommendation to the Board. The case summary, along with the recommendation, is sent to the Trustees one week prior to the monthly Board meeting. Also, one week prior to the Board meeting, the applicant (or their counsel) is notified of the staff recommendation by mail. If the Board ultimately takes action to deny the application, the applicant is immediately notified of their right to request, within three weeks of the Board's action, an evidentiary hearing before a referee.

Name of person completing this questionnaire:

**Annette Paladino
Disability Retirement Manager
(805) 568-2915
Santa Barbara County Employees Retirement System**

Ventura County

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

County Administration Building
800 South Victoria Avenue
Ventura, CA 93009-0005
(805) 654-3736 • Fax: (805) 654-3560
<http://www.ventura.org/vcera>

September 7, 2001

Michael VanBruanene
KPMG
355 South Grand Avenue
Los Angeles, CA 90071-1568

Re: Disability Retirement

Dear Mr. VanBruanene:

Attached is the completed survey regarding applications for disability retirement that had been submitted to the Ventura County Employees' Retirement Association (VCERA).

It is necessary to provide a few comments regarding the process for handling applications for disability retirement as it is quite different in Ventura County than Los Angeles.

First, VCERA staff do not evaluate applications for disability retirement. Applications filed with VCERA are forwarded to the County of Ventura Risk Management Department for evaluation. If Risk Management determines the applicant is in fact disabled the application is forwarded to the Board of Retirement. In almost every instance the Board will approve an application that Risk Management has issued a no challenge. In cases where the applicant has filed for service connected disability, and Risk Management determines there is a disability but it is non-industrial the Board will grant a nonservice connected disability without prejudice. This allows the applicant the right to pursue a service connected disability as outlined below.

If Risk Management challenges the application for disability, or causation, VCERA staff will assign the matter to a hearing officer. Risk Management retains a panel of attorneys to represent them at the hearing. When the report is received from the hearing officer it is submitted to the Board for its consideration.

The role of VCERA staff is limited to counseling members on this process, receipt of applications and medical documentation, setting of hearings before the Board or hearing officer and providing such other notices as are required.

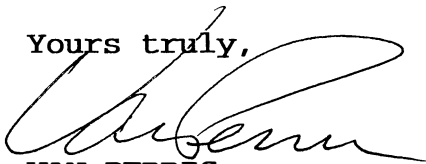
I have enclosed a copy of our disability hearing procedures which outline our process.

September 7, 2001
Page 2

You may also obtain information from Terri Kasnman of the Los Angeles County Auditor-Controller. Ms. Kasnman was provided more detail information on this subject last year.

Please contact me at 654-3731 if you have any questions.

Yours truly,

A handwritten signature in black ink, appearing to read 'Van Perris', written in a cursive style.

VAN PERRIS
Retirement Administrator



**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership 1,300 ?
 Of your total membership, what is your total non-safety membership 6,100 ?
 Of your total membership, what is your total safety membership 1,200 ?

In Fiscal Year 2001,

How many disability retirement applications did you receive 57?

Of these applications,

How many were for service connected disability 39 ?
 How many were for non-service connected disability 18 ?

 How many were from public safety members 15 ?
 How many were from non-public safety members 42 ?

In Fiscal Year 2001,

What was your total full time equivalent staff 12 ?
 What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) 12 ?
 If possible please provide a breakdown by position.

In Fiscal Year 2001,

How many disability retirement applications were denied 5 ?
 Of those denied, how many were from non-safety personnel 5 ?
 Of those denied, how many were from safety personnel 0 ?

<u>Granted</u>
<u>48</u>
<u>28</u>
<u>20</u>

Section II

When there is an appeal before a Referee, do you use the services of:

County Counsel _____,
 In-House Counsel _____,
 Outside law firm X, or (Retained by Risk Management)
 No legal Counsel _____.



In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

No

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

No

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

No

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

No

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

No

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no);
N/A, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no)

N/A?

Or do you have some other procedure?



Name of person completing this questionnaire: Van Ferris;

Title Administrator

Telephone number (805) 654-3731

Name of retirement association Ventura County ERA

If you have any questions about this questionnaire please contact Michael VanBrauene, KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrauene

KPMG LLP

355 South Grand Avenue

Suite 2000

Los Angeles, California 90071

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY HEARING PROCEDURES

Revised April 1999

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY HEARING PROCEDURES

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY HEARING PROCEDURES

Section 1 - Purpose

These procedures are intended to provide an equitable, fair and impartial method for acting upon applications for rights, benefits and privileges under the County Employees' Retirement Law of 1937, as amended, to the end that applications for disability retirement may be expeditiously processed with a minimum lapse of time, and that when a hearing is required, all parties will have notice of the hearing and an opportunity to appear before the Board or duly appointed hearing officer to present their cases.

Section 2 - Definitions

As used in these hearing procedures, unless the context or subject matter otherwise requires:

- a. "Applicant" means (1) a member of the Ventura County Employees' Retirement Association claiming benefits, rights, or privileges under the County Employees' Retirement Law of 1937, as amended, or (2) any person claiming such benefits, rights or privileges on behalf of or through a member.
- b. "Party" means any person and his/her representative, if one, disclosed by the records of the retirement system or by the application to have an interest in the subject matter of an application for benefits. The term "Party" shall also include the County of Ventura and districts which are included within the Retirement Association.
- c. "Association" means the Ventura County Employees' Retirement Association.
- d. "Board" means the Board of Retirement of the Association.
- e. "Administrator" means the Board appointed Administrator of the Association.
- f. "Hearing Officer" or "Referee" means the designee of the Board to conduct a hearing pursuant to the provisions of Government Code Sections 31533 and 31534.
- g. "Medical Advisor" means the County Health Officer or his/her designee.

- h. "Legal Advisor" means the office of the County Counsel or other counsel as appointed by the Board.
- i. "Employer" means the County of Ventura or any district which is a member of the Association.
- j. "Day" means calendar day.

Section 3 - Filing an Application for Disability Retirement

- a. An application for disability retirement benefits shall be filed with the Association on a form provided by the Board. The application must be filed while the member is in service, within four months after discontinuance of service, or at any time after discontinuance of service if the member can demonstrate to the Board that he/she has been continuously incapacitated for the performance of his/her duties since the date of discontinuance of service. In order to be considered a valid application, the applicant shall be required to submit at the time of filing the following:
 - (1) Completed Application for Disability Retirement.
 - (2) Signed Authorization to Obtain and Release Records and Information.
- b. Upon the filing of a valid application, the applicant will have one hundred and twenty (120) days in which to file additional medical or other documentation in support of the application. For good cause shown, the Administrator may grant the applicant a reasonable extension(s) of time within which to file documentation. Notice of the granting of an extension of time shall be provided to all parties. The applicant may waive any or all of his/her time for filing documentation by providing written notification to the Association.
- c. The applicant will be permitted to amend the application for disability retirement at any time up to the date the evidentiary hearing begins by giving notice of the exact manner in which the application is being amended to the Administrator and all other parties. Any such amendment that is so noticed within sixty (60) days of the evidentiary hearing date shall entitle any other party to a continuance as a matter of right. Once the evidentiary hearing begins, the application can only be amended with the consent of the Board upon such terms as the Board shall set.
- d. Upon the filing of the application, the Administrator shall send a copy of the application and supporting documentation

submitted by the applicant to the employer of the applicant, either the County of Ventura, Risk Management, or the contracting district. The Administrator shall provide timely notification to all parties of all actions taken by the Association relating to the processing of the application.

- e. The employer shall have sixty (60) days from the date of notification by the Administrator of the expiration of the applicant's time for the filing of documentation to respond as to whether or not the employer will contest the application. For good cause shown, the Administrator may grant a reasonable extension(s) of time within which to state a position in regard to the application. Notice of the granting of an extension of time shall be provided to all parties.
- f. If a determination is made by the employer to not contest the application, the following shall apply:
 - 1. The application for disability retirement, employer's statement of position and analysis of medical documentation, and all supporting documentation will be forwarded directly to the Board for its consideration. Notice of the date on which the Board will hear the application shall be provided to all parties by the Association.
 - 2. If the Board does not adopt the position taken by the employer, the Board may direct that the member submit to one or more medical, psychological or psychiatric examinations, as provided for in section 18 herein. The reports of any such examinations, together with any additional relevant evidence provided by the parties, shall be presented to the Board for a determination on the application at a duly noticed meeting as soon as practical. Alternatively, the matter may be continued to the next disability meeting for an evidentiary hearing to be conducted before the Board on the merits of the application.

Section 4 - Setting of Hearings

- a. If a determination is made by the employer to contest the disability retirement application, written notice of such position shall be provided by the employer to the Association. The employer shall advise the Association of the name, address and telephone number of the attorney that will represent the employer in the matter.

- b. Upon receipt of notice that the employer will contest the application for disability retirement, the Administrator shall, if the applicant has not advised that he/she is represented by legal counsel, provide the applicant with notice that he/she has thirty (30) days to retain legal representation for his/her hearing before the matter will be assigned to a hearing officer.
- c. If the applicant is represented by legal counsel, or at the expiration of the thirty (30) days provided to the applicant to retain legal representation, the Administrator shall appoint a hearing officer from the Board approved panel to preside in this matter. Notice of the appointment of a hearing officer shall be provided in writing to all parties.
- d. Each party to a disability retirement hearing shall be entitled to request reassignment of the hearing to another referee in accordance with the provisions of this section. Each party shall be entitled to make only one (1) such request. A Petition for Reassignment must be received by the Association not more than fifteen (15) days after the mailing by the Association of the notification of the assignment of the referee. Requests for such reassignment shall be instituted by the making of a petition supported by a declaration under the penalty of perjury in substantially the following form:

Ventura County Employees' Retirement Association
 Petition for Reassignment of Referee
 Disability Case No. _____

State of California)
) ss.
 County of)

_____ declares under penalty of perjury:

That he/she is the attorney for _____. That affiant believes that he/she cannot have a fair and impartial hearing before _____ the referee to whom the case has been assigned by the Association.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on _____ at _____, California.

 (Signature)

Section 5 - Notice of Hearing

Unless otherwise directed by the Board, hearings held before the Board, or hearing officer, shall be set on a date to be determined by the Administrator or his/her designee, in consultation with the parties or their designated representatives, but not sooner than sixty (60) days following service of notice, unless an earlier date is otherwise agreed to by all parties.

Section 6 - Continuances

Once the matter is set for hearing, a request for continuance of the hearing date may only be made by a written request for continuance, which may only be approved by the Board or hearing officer upon a showing of good cause.

- a. Each party who requests and obtains a continuance or cancellation of a hearing less than fourteen (14) days prior to the hearing date shall fully compensate each other party and the Board of Retirement for all actual losses directly incurred as a result of the continuance or cancellation. Such losses shall include, but not be limited to, the actual fees charged by the hearing officer, court reporter and expert witnesses, if any. Such losses shall not include any retirement or disability benefit claimed by or through the member or the member's surviving spouse or children.
- b. The Board shall make the final determination of what losses, beyond hearing officer, court reporter and expert witness fees, were incurred as a result of the continuance or cancellation unless all affected parties have separately agreed upon the total amount to be so paid and the Board may, upon a showing of good cause, find that any or all such costs shall not be reimbursed.

Section 7 - Determination by the Board

Where the evidentiary hearing on the application for disability has been held before the Board, the Board shall determine separately each of the following:

- a. All factual issues raised by the application.
- b. Whether or not the applicant is permanently physically or mentally incapacitated to perform his/her duties as provided in Government Code Section 31720.

- c. Whether or not such incapacity, if any, is a result of injury or disease arising out of and in the course of his/ her employment; and if so, whether such employment contributed substantially to such incapacity.
- d. Whether or not the applicant has completed five (5) years of service.
- e. The effective date of the disability retirement.

Where the evidentiary hearing on the application for disability retirement has been held before a Board appointed hearing officer, the proposed findings of fact and recommendations of the referee shall be served on the parties by the referee within ninety (90) days of the closing of the record. The parties shall have ten (10) days to submit to the Association written objections thereto which shall be incorporated into the record to be considered by the Board. Upon receiving the proposed findings of fact and the recommendations of the referee, the Board may:

- a. Approve and adopt the proposed findings and the recommendations of the referee, or
- b. Require a transcript or summary of all the testimony, plus all other evidence received by the referee. Upon receipt thereof the Board shall take such action as in its opinion is indicated by such evidence, or
- c. Refer the matter back with or without instructions to the referee for further proceedings, or
- d. Set the matter for hearing before itself. At such hearing the Board shall hear and decide the matter as if it had not been referred to the referee.

Section 8 - Conduct of Hearings

Unless the Chair of the Board or referee rules that it is not necessary to so proceed in a particular hearing, all hearings shall proceed in the following manner:

- a. Presiding Officer: The Chair of the Board, or hearing officer shall preside over hearings under these rules.

He/she shall exercise such control over the proceedings, including the time allotted to each party, as may be reasonable and necessary. In addition to other duties he/she shall rule on the admissibility of evidence and shall order a party to yield the floor when his/her allotted time has been used.

b. Applications Filed on Behalf of the Member: In cases where the application has been filed by a person or agency other than the member, the member shall be considered to be a party and, in particular, shall be entitled to participate fully at all hearings.

c. Order of Presentation:

- (1) The Chair or hearing officer will read the title of the case and ask for appearances for all parties. This information shall be recorded in the minutes of the Board and in the official file of the hearing.
- (2) If all parties are ready to proceed, the Chair or hearing officer will mark for identification only, and not as evidence, all papers in the official record of the hearing, which should include, but may not be limited to:
 - (a) The application for disability retirement.
 - (b) The hearing notice with proof of service.
 - (c) Other documents in the official file.
- (3) The party filing the application shall present his/her evidence in support of such application. The party filing the application shall have the burden of proof.
- (4) Each other party shall then present his/her evidence, in the order determined by the Chair or hearing officer.
- (5) Each party will be allowed to cross-examine witnesses.
- (6) Upon application to the Board or hearing officer, each party may present rebuttal evidence.
- (7) Upon the conclusion of all testimony, the Chair or hearing officer will inquire if all parties are ready to submit the matter for decision.
- (8) The hearing will then be closed and the matter submitted to the Board or hearing officer for

decision. If further documentary evidence is to be filed, the Board or hearing officer may allow time for filing and serving such documentary evidence, and order that the matter will be deemed submitted after such period unless any party objects to such documentary evidence within ten (10) days after it is filed. Copies of such documentary evidence shall be served on all parties who appeared at the hearing.

- d. Quorum and Voting: No hearing before the Board shall take place unless at least a majority of the entire Board is present. No member of the Board who did not hear all of the evidence may vote on the decision. By agreement of all parties, a Board member who was not present during a portion of the hearing may vote on the decision if he/she has reviewed all portions of the administrative record relating to the absent period, including examining all documentary evidence introduced and reviewing the audio tapes and/or transcripts, as applicable, of all testimony and argument presented.
- e. Representation: Any applicant or party shall be entitled to be represented by legal counsel or a representative of his/her choice at any hearing before the Board or hearing officer. After an attorney or representative appears at a hearing on behalf of a party, or after the filing of written notice that the attorney or representative is appearing on behalf of a party, all notices shall thereafter be served upon such counsel or authorized representative. The selection, substitution, or dismissal by the applicant of an attorney or representative shall be made in writing and filed with the Board and served on all parties at the earliest possible date and in compliance with section 284, 285 and 286 of the Code of Civil Procedure. Until this notice is given, the Board and all parties shall continue to recognize the former attorney or representative.
- f. Rules of Evidence:
- (1) The hearing need not be conducted according to the technical rules of evidence relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence,

but shall not be sufficient, in of itself, to support a finding unless it would be admissible over objection in civil actions. Admissibility of physicians reports is governed by subsection h.

- (2) The applicant shall have the burden of proof by a preponderance of the evidence as to all facts necessary to establish the member's right to the benefits sought by the application.
 - (3) Each party shall serve all documentary evidence that is intended to be introduced at the evidentiary hearing upon the Board and all parties at least twenty (20) days prior to the date of the hearing before the Board or the hearing officer.
 - (4) Oral evidence shall be taken only upon oath or affirmation.
 - (5) Each party shall have the right to call and examine witnesses, to introduce exhibits and to cross-examine opposing witnesses on any matter relevant to the issues. If the applicant or any other party does not testify on his own behalf, he/she may be called and examined by any other party to the matter as if under cross-examination.
 - (6) Refusal of any applicant or party to submit to examination or to answer relevant questions, when such refusal is not protected by a recognized legal privilege, shall be grounds for considering such questions, for the purposes of that hearing, to be answered in a way unfavorable to the refusing party, and such refusal may result in an unfavorable decision on the application of the applicant or the party seeking affirmative relief.
- g. Government Records: Certified copies of the reports or records of any governmental agency, division or bureau will be accepted as evidence in lieu of the original thereof.
- h. Physicians' Reports and Testimony as Evidence:
- (1) The Board favors the production of medical evidence in the form of written reports. These reports should include:
 - (a) History of the injury or illness;
 - (b) The patients complaints;

- (c) Source of all facts set forth in the history and complaints;
 - (d) Findings on examinations;
 - (e) Opinion as to the extent of disability and working ability;
 - (f) Cause of the disability;
 - (g) Medical treatment indicated;
 - (h) Likelihood of permanent disability;
 - (i) Opinion as to whether or not the patient is permanently incapacitated physically or mentally for the performance of his/her duties;
 - (j) Opinion as to whether or not the patient's incapacity is the result of injury or disease arising out of and in the course of his/her employment;
 - (k) Opinion as to whether or not the patient's disability is due to the intemperate use of alcoholic liquor or drugs, or so far as the medical examination discloses, willful misconduct, and
 - (l) The reasons for the opinions.
- (2) No written medical report shall be considered at the hearing unless:
- (a) The report has been served on all parties more than twenty (20) days before the hearing, and, if requested pursuant to subsection (3), the physician is produced at the hearing; or
 - (b) The physician is voluntarily produced at the hearing for cross-examination purposes where the medical report is served within twenty (20) days of the hearing; or
 - (c) The Board or hearing officer may permit the introduction of medical reports which were served within twenty (20) days of the hearing on the condition that the opposing party be permitted an opportunity to present rebuttal evidence or cross-examine the physician. A continuance of the hearing should be granted if necessary to satisfy these conditions.
- (3) The party submitting the written report of a physician shall, if requested by the opposing party, join in a request that the physician appear at the hearing; however, the party instituting the request that the physician be produced for cross-examination shall pay the physician's fee for such appearance. The Board may require that this fee be deposited in advance of the appearance.

- (4) Nothing herein shall preclude the Board, if it so desires, from requiring such proof, including medical, psychological and psychiatric examinations at the expense of the applicant.
 - (5) Chiropractic evidence is acceptable for consideration along with any other medical records or testimony.
- i. Objections: During the course of a hearing, a party may object to the admission of evidence (either oral or documentary) being offered by another party. The party objecting shall express the reason(s) for his/her objection(s), and thereafter, the offering party may respond to the objection(s). The Chair or hearing officer shall sustain or overrule the objection(s).
 - j. Continuances by the Board or Hearing Officer:
 - (1) The Board or hearing officer may continue any hearing to another time and place, order additional evidence be presented, order additional medical, psychological or psychiatric examinations, or allow other evidence to be gathered and presented, as in its or his/her determination is required for a proper presentation of the case.
 - (2) Notwithstanding the authority of a hearing officer to grant continuances, no hearing officer may extend the time for submission of briefs, arguments or additional evidence beyond thirty (30) days after the close of any hearing before such hearing officer. In addition, no hearing officer may accept or consider additional briefs, arguments or additional evidence after the time set for filing such materials unless the hearing officer has the written approval of counsel for the Association.

Section 9 - Decision of the Board

- a. The Board shall render its decision by the second regularly scheduled disability meeting following the meeting at which the matter is submitted for decision. Any finding or decision of the Board must be made by a majority of the members of the Board voting. A tie vote results in the failure to find in favor of the applicant and constitutes a denial of the application, or that portion of the application on which the vote is taken.

- b. Every decision of the Board, or hearing officer, shall include findings of fact which shall specifically include findings with respect to:
- (1) Incapacity;
 - (2) Service-connected sources of incapacity;
 - (3) Term of service to qualify applicant for disability retirement, and
 - (4) Effective date of retirement.

All such findings by the Board shall specifically describe the evidence which supports each such finding of fact.

- c. In the event that the Board finds that an applicant is permanently mentally or physically incapacitated to perform his/her duties, the relevant finding shall describe the duties of applicant's job and the specific incapacity which prevents the performance of those duties.
- d. Upon service of the hearing officer's proposed findings of fact and recommendations, the parties shall have ten (10) days to submit written objections thereto which shall be incorporated into the record to be considered by the Board.
- e. When the evidentiary hearing has been conducted before the Board, the prevailing party shall submit a proposed Statement of Decision containing the findings of fact to the Board within fifteen (15) days of the Board's announcement of its intended decision, unless waived by all parties. Written objections to the proposed Statement of Decision may be submitted within ten (10) days from the date the proposed Statement of Decision is delivered. The Board shall make its final decision by the second regularly scheduled disability meeting after the proposed Statement of Decision has been submitted for the Board's consideration. In the event that the prevailing party fails to timely submit the proposed Statement of Decision, the Board may direct its counsel to prepare the Statement of Decision and may charge all or part of such expense to the prevailing party.

Section 10 - Effective Date of Decision

- a. The decision shall become effective thirty-five (35) days after the adoption by the Board of its Statement of Decision

or of the proposed findings of fact and the recommendations of the hearing officer, unless:

- (1) A petition for reconsideration is filed within that time, or
 - (2) The Board orders that the decision shall become effective sooner, or
 - (3) All parties provide a signed written waiver of the right to file a petition for reconsideration and for judicial review of the proceedings before the Board, in which case the decision shall become effective on the date set forth in the waiver, but not earlier than the date on which the Board adopted the Statement of Decision or the findings of fact and recommendations of the hearing officer.
- b. When a petition for reconsideration is filed before the effective date of the decision, the filing of such petition shall stay the effective date of the decision until the Board takes action to reaffirm its earlier decision. If the petition for reconsideration is not granted, the decision shall become effective on the date the petition is denied or deemed denied. If the final date for filing a petition for reconsideration falls on a regular meeting date and a petition for reconsideration is filed on that day, the following regular meeting shall for purposes of this section be deemed to be the first regular meeting following the date the decision would otherwise become effective.

Section 11 - Notice of Decision

The Administrator shall give written notice of the decision to the applicant and each other party within five (5) days following the date the decision is rendered. The notice shall be delivered pursuant to section 16. The notice shall contain the decision, the date it was rendered and a statement substantially as follows: "This decision shall become effective thirty-five (35) days after its adoption by Board action unless a petition for reconsideration is filed within that time." If the Board orders that the decision shall become effective sooner, or if all parties have waived the right to file a petition for consideration and judicial review of the proceedings before the Board, the notice shall so state.

Section 12 - Petition for Reconsideration

- a. The Board, on its own motion or on petition of any party, may order reconsideration of all or a part of the matter on which the decision was rendered. The power to request reconsideration shall expire when the decision becomes effective. When a petition for reconsideration is filed, it shall be placed on the Board agenda for the first regularly scheduled disability meeting at which all parties are available to attend. If the Board takes no action upon the petition before the final adjournment of that regular meeting, the petition shall be deemed denied on that date. However, the Board may at that time continue the hearing on the petition to another disability meeting date not to exceed ninety (90) days from the date the Board orders the matter continued.
- b. A petition for reconsideration shall be in writing and shall set forth all reasons and grounds for requesting reconsideration. The petition for reconsideration must be based upon one or more of the following:
- (1) That the Board or hearing officer acted without or in excess of its or his/her powers;
 - (2) That the findings of fact were procured by fraud;
 - (3) That the evidence does not justify the findings of fact;
 - (4) That the applicant has discovered new evidence material to him/her, which he/she could not, with reasonable diligence, have discovered and produced at the hearing, and which is not merely cumulative.
- c. The Board will determine the petition on the basis of the information and documentation set forth in, and attached to, the petition. Petitioner may appear, and, with the consent of the Board, be heard on the petition. Petitioner should state in the petition if he/she desires to discuss the merits of the petition at the hearing.
- d. The Administrator shall give written notice to all parties of the disposition of the petition within ten (10) days after the Board acts on the petition. If the Board fails to act within the time prescribed in these rules, such notice shall be given within ten (10) days after the final date upon which the petition was granted, denied or deemed denied. In the event that the petition for reconsideration is granted and

further hearing on the case is required, a date for such hearing shall be set, not to exceed ninety (90) days from the date the Board orders the petition granted.

Section 13 - Judicial Review

The Board adopted California Code of Civil Procedure section 1094.6 on September 9, 1985. In those cases where a party is entitled to judicial review of the proceedings before the Board, the petition to the court shall be filed within ninety (90) days from the date on which the decision of the Board becomes final.

Section 14 - Service of Notice

Whenever the rules of the Board require that notice be given, it shall be sufficient that such notice be provided to a party or the party's personal representative either by personal delivery or by mail, deposited in the United States mail, postage prepaid, in a sealed envelope addressed to the person to whom it is to be delivered, at his/her last known address as disclosed by the records of the Association. The delivery is complete at the time of such deposit or personal delivery.

Section 15 - Proceedings Recorded

All proceedings before the Board, or hearing officer, shall be reported by a court reporter at a cost to be paid for by the Association. Any party may request a transcript of the proceedings through the Association upon payment of a reasonable fee, which shall not be less than the estimated cost to the Association of such transcript.

Section 16 - Legal and Investigatory Services

The Board may secure such legal, investigatory, and other such services and advice as is necessary to make a responsible determination on an application for disability retirement. The Board may contract with an attorney in private practice for the legal services and advice it deems necessary.

Section 17 - Medical Examination

In its sole discretion, the Board may, on its own motion or upon

request of one of the parties, and based upon good cause, require an applicant for disability retirement to submit to one or more medical, psychological or psychiatric examinations to determine the existence of the disability and causes therefor. Such examination(s) shall be at the expense of the Association, if ordered upon the Board's own motion. If the additional examination(s) is (are) requested by one of the parties, the Board may require that the requesting party pay all reasonable expenses of such examination(s) as a condition of ordering the applicant to submit to such testing.

Section 18 - Role of the Medical Advisor

The Medical Advisor may advise the Board on general matters regarding applications for disability retirement, including providing the Board with explanations of medical terms, interpretations of medical reports before the Board, and the analysis of other medical evidence before the Board.

The Medical Advisor shall only be required to attend disability meetings when specifically requested to do so by the Board to provide recommendations or advice as discussed below.

To ensure that the rights of the applicant and employer are protected the Board should act at all times to ensure that:

- a. All advice and recommendations provided to the Board by the Medical Advisor are based upon evidence that is before the Board. The Medical Advisor should not conduct any independent research on an applicant's claims unless specifically directed by the Board.
- b. If the Board determines at the time of any hearing that a recommendation or other advice from the Medical Advisor on any aspect of an individual case is warranted, the Board shall immediately continue the matter to a subsequent hearing date. The Administrator shall request the presence of the Medical Advisor for that hearing, and, if the Medical Advisor prepares a written report for the Board, the Administrator shall serve all parties such report at least ten (10) days prior to the new hearing date.
- c. The applicant, or his/her representative, and the employer shall have the right to cross-examine the Medical Advisor under oath before the Board at the time of the hearing, limited to the content of the recommendation or other advice provided to the Board by the Medical Advisor.

Section 19- Inquiries Into Applicant's Conduct

To assist in making a recommendation or determination, and to assure that a disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, or violation of law on the part of the applicant, the Board may review the conduct of the applicant, either by inquiry of the applicant, a medical examiner to whom the applicant is referred or any other source of information that Board believes to be reliable.

Section 20 - Issuance of Subpoenas

The Board may issue subpoenas and subpoenas duces tecum. Subpoenas may be signed by the Chair, Vice Chair, Treasurer or the Administrator.

Section 21 - Procedures Furnished to the Parties

A copy of these procedures shall be furnished to the applicant along with the application for disability retirement. All other parties shall receive a copy at the time notice of hearing is given.

Revised April 1999

San Diego County

San Diego County

**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership? 30,043 (Active members-General 14,375, Safety 3,425; Retired/Deferred members-12,243)

Of your total membership, what is your total non-safety membership? see above
Of your total membership, what is your total safety membership? see above

In Fiscal Year 2001,

How many disability retirement applications did you receive? 113

Of these applications,

How many were for service connected disability? 43

How many were for non-service connected disability? 20

How many were from safety member non-service connected disability? 3

How many were from safety member service connected disability retirement ? 47

In Fiscal Year 2001,

What was your total full time equivalent staff? 5

What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) ? 6

If possible please provide a breakdown by position.

1 - Retirement Member Services Manager

2 - Retirement Disability Specialist

1 - Retirement Member Services Specialist

2 - Retirement Member Services Clerk

In Fiscal Year 2001,

How many disability retirement applications were denied ? 12

Of those denied, how many were from general members? 11

Of those denied, how many were from safety members? 1

30,043 Total Active

Section II

When there is an appeal before a Referee, do you use the services of:

County Counsel X,

In-House Counsel _____,

Outside law firm _____, or

No legal Counsel _____.

Turn I
18 safety
316 general
Turn II
242 safety
256 general

In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

Yes, we now have SDCERA staff--Disability Specialists reviewing all files to determine how to process with County Counsel's concurrence, rather than County Counsel handling this part of the process.

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

Various amendments to the Bylaws to improve the process of applications which is currently being worked on.

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

Yes – statistics that include the total number of applications processed and timeframe.

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

Yes, varies depending on position.

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?
Through a disability tracking system (DTS)

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no); _____, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) _____?

Or do you have some other procedure? Disability Specialists basically recommend whether to process application administratively or to have the matter set for hearing.

Name of person completing this questionnaire: RoseMarie M. Linzaga

Title: Retirement Member Services Manager;

Telephone number: (619) 515-6809;

Name of retirement association: San Diego County Employees Retirement Association
(SDCERA)

If you have any questions about this questionnaire please contact Michael VanBrouaene,
KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrouaene

KPMG LLP

355 South Grand Avenue

Suite 2000

Los Angeles, California 90071

KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

Date: September 10, 2001

Ms. Rose Linzaga
San Diego County Retirement System
401 West A Street, #1300
San Diego, CA 92101

Dear Ms. Linzaga:

KPMG has been asked by the County of Los Angeles to review certain policies, procedures and practices of the Los Angeles County Employees Retirement Association (LACERA), in particular those operations pertaining to disability retirement applications. As part of this review, we would like to obtain some relevant information from other 37 Act retirement associations.

This short 2 page questionnaire is being sent to the following 37 Act retirement associations:

- 1 Alameda County
- 2 Contra Costa County
- 3 Orange County
- 4 San Bernardino County
- 5 San Diego County
- 6 Ventura County
- 7 Santa Barbara County

Upon the completion of our review, we will provide each of you with the results of this survey.

The completed questionnaire should be sent to:

Michael VanBrouaene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

An addressed envelope with postage has been included for your convenience.

If you have questions please contact me at KPMG LLP, 213/430-2166; Terri Kasnman, Los Angeles County Auditor-Controller's Office at 213/974-8475; or Sylvia Miller, LACERA Disability Services at 626/564-2401.

Thanking you in advance for your assistance.

KPMG LLP

Michael VanBrouaene
Manager

VanBrauene, Michael M

From: Rose Linzaga [rlinzaga@sdcera.org]
Sent: Wednesday, September 12, 2001 3:40 PM
To: 'VanBrauene, Michael M'
Subject: RE: LACERA study

Deferred: We have 18 Tier I safety members, 316 Tier I General members, 242 Tier II Safety members and 2,758 Tier II General members.

Retired: We don't have a breakdown for Retired members available. Once someone is retired, since COLAs, STAR COLA, & medical allowance are not dependent on General/Safety, we don't track it on any reports.

Regarding your question for the number of full time staff members, I thought you were referring to the number of full time staff in my Disability Unit which is why I originally a number of 5. There are 57 full time staff members.

> -----Original Message-----

> From: VanBrauene, Michael M [SMTP:mvanbrauene@kpmg.com]
> Sent: Wednesday, September 12, 2001 12:58 PM
> To: 'Rose Linzaga'
> Subject: RE: LACERA study

>

> Dear Rose

> I do have a couple of questions.

>

> Regarding your total membership, can you breakdown the Retired/Deferred members between safety and non-safety?

>

> Also, regarding total full time equivalent staff. You state that the full time equivalent staff in 5. You then state that staff involved in processing applications is 6 (which is more than your organization's total staff of 5). Possibly I was not clear in stating that total full time equivalent staff pertained to your entire organization.

>

> If you would like additional information just let me know.

> Thanks

> --Michael VanBrauene

>

> -----Original Message-----

> From: Rose Linzaga [mailto:rlinzaga@sdcera.org]
> Sent: Wednesday, September 12, 2001 12:27 PM
> To: 'VanBrauene, Michael M'
> Cc: Marsha Boyd
> Subject: RE: LACERA study

>

>

> Here is SDCERA's response to your survey. If you have any questions, please let me know. Thanks, Rose

>

> <<Comparison Questionnaire-LACERA.doc>>

>

> RoseMarie M. Linzaga

> SDCERA

> Phone 619.515.0130

> Fax 619.515.0177

> rlinzaga@sdcera.org

>

>

>

> > -----Original Message-----

> > From: VanBruaene, Michael M [SMTP:mvanbruaene@kpmg.com]
> > Sent: Monday, September 10, 2001 11:47 AM
> > To: Rose Linzaga (E-mail)
> > Subject: LACERA study

> > Dear Rose
> > Thank you for returning my call. Attached is the questionnaire. Please
> > call
> > me with any questions.
> > --Michael VanBruaene

> > <<San Diego Comparison Questionnaire.doc>>

> > Michael VanBruaene
> > Manager
> > KPMG Public Sector
> > 355 South Grand Avenue
> > Suite 2000
> > Los Angeles, California 90071
> > 213-430-2166
> > mvanbruaene@kpmg.com

> > *****

> > ***
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> > *** << File: San Diego Comparison Questionnaire.doc >>

> > *****

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> > the governing KPMG client engagement letter.

> > *****

> > ***

San Joaquin County

VanBrauene, Michael M

From: RobertP [robertp@sjcera.org]
Sent: Tuesday, September 11, 2001 9:33 AM
To: VanBrauene, Michael M
Subject: Re: LACERA questionnaire

In fiscal year 2001, there were 30 disability retirement applications received. 25 were for service or service and nonservice; 5 were for nonservice-connected disability only. 10 were by public safety members, 20 were for general members. For that fiscal year, there were 10 denied, however, only 3 of those were actually filed during that 12 month period.

--

San Joaquin County Employees' Retirement Association
6 South El Dorado St., Suite 700
Stockton, California 95202
(209) 468-2163; Fax (209) 468-0480
www.sjcera.org

On Tuesday, September 11, 2001, VanBrauene, Michael M <mvanbrauene@kpmg.com> wrote:

>Hello Robert:
>Please pardon me for some additional questions that I have to confirm some
>of the numbers you provided to me yesterday.
>
>For the total number of disability retirement applications received, you
>stated 80.
>
>Of these applications, you stated that 61 were for service connected
>disability and 5 were for non-service connected disability. For a total of
>66 applications.
>This amount, 66 applications, differs from the grand total of 80. Is
>there a reason for this?
>
>Also, the number of applications submitted by public safety members, 23;
>and non-public safety members, 33, add up to 56; which differs from the
>total number of disability applications which is 80.
>
>Any help you can provide will be appreciated.
>Sincerely,

>--Michael VanBrauene

>
>
>Michael VanBrauene
>Manager
>KPMG Public Sector
>355 South Grand Avenue
>Suite 2000
>Los Angeles, California 90071
>213-430-2166
>mvanbrauene@kpmg.com

>
>
>
>*****

>The information in this email is confidential and may be legally privileged.
>It is intended solely for the addressee. Access to this email by anyone else
>is unauthorized.

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>If you are not the intended recipient, any disclosure, copying, distribution
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>and may be unlawful. When addressed to our clients any opinions or advice
>contained in this email are subject to the terms and conditions expressed in
>the governing KPMG client engagement letter.

> *****

>

>

San Joaquin County

**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership 9,062 ? 9,576
Of your total membership, what is your total non-safety membership ~~5470~~ ?
Of your total membership, what is your total safety membership 794 ?

In Fiscal Year 2001,

How many disability retirement applications did you receive 30 ?

Of these applications,

How many were for service connected disability 61 ?
How many were for non-service connected disability 5 ?

How many were from public safety members 23 ?

How many were from non-public safety members 33 ?

In Fiscal Year 2001,

What was your total full time equivalent staff 10 ?

What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) 2.5 ?

If possible please provide a breakdown by position.

*2 FT Retiree Service Technician
.5 Clerical Support, Retiree Admin. Director*

In Fiscal Year 2001,

How many disability retirement applications were denied 10 ?

Of those denied, how many were from non-safety personnel 6 ?

Of those denied, how many were from safety personnel 4 ?

Section II

When there is an appeal before a Referee, do you use the services of:

- County Counsel _____,
- In-House Counsel _____,
- Outside law firm X, or
- No legal Counsel _____.

In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

No, visit our website for our disability process booklet SJCEA.org

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

No Change planned at this time

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

All disability applications are on our "On-line Disability Application process". The on-line system can quickly tell manager if any cases are not being appropriately managed.

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

Staff is expected to work all disabilities to the point that it is the responsibility of other parties to make the next move. And those individuals have timelines to respond.

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

Every 90 days (3 months) we make full Confidential reports to the Bd of Ed on all open cases.

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no); _____, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) _____?

Or do you have some other procedure? *yes*

Name of person completing this questionnaire: Robert Palmer;

Title Retiree Admin

Telephone number (209) 468-2163

Name of retirement association San Joaquin County Employees' Ret. Assn.

If you have any questions about this questionnaire please contact Michael VanBrouaene, KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrouaene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071



**San Joaquin County Employees'
Retirement Association**

FAX COVER SHEET

Date: 09/10/2001

Time: 4:48:36 PM

Total Pages: 5

To: MICHAEL VANBRUAENE

Company: KPMG LLP

Telephone No.: _____

Fax No.: 213-630-2202

From: ROBERT PALMER

Message:

If you have any questions regarding this transmittal or did not receive all of the pages transmitted, please call **Shundra** at (209) 468-2163.



KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

Date: September 10, 2001

Robert Palmer, Retirement Administrator
San Joaquin County Employee's Retirement Association
304 E. Weber, 2nd Floor
P.O. Box 780
Stockton, CA 95202

Dear Mr. Palmer:

KPMG has been asked by the County of Los Angeles to review certain policies, procedures and practices of the Los Angeles County Employees Retirement Association (LACERA), in particular those operations pertaining to disability retirement applications. As part of this review, we would like to obtain some relevant information from other 37 Act retirement associations.

This short 2 page questionnaire is being sent to the following 37 Act retirement associations:

- 1 Alameda County
- 2 Contra Costa County
- 3 Orange County
- 4 San Bernardino County
- 5 San Diego County
- 6 Ventura County
- 7 Santa Barbara County

Upon the completion of our review, we will provide each of you with the results of this survey.

The completed questionnaire should be sent to:

Michael VanBrouaene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

An addressed envelope with postage has been included for your convenience.

If you have questions please contact me at KPMG LLP, 213/430-2166; Terri Kasnman, Los Angeles County Auditor-Controller's Office at 213/974-8475; or Sylvia Miller, LACERA Disability Services at 626/564-2401.

Thanking you in advance for your assistance.

KPMG LLP

Michael VanBrouaene
Manager

Contra Costa County



Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications

Section I

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

What is your total membership 8771?

Of your total membership, what is your total non-safety membership 7144?

Of your total membership, what is your total safety membership 1627?

*1999
most recent
actuarial
study*

In Fiscal Year 2001,

How many disability retirement applications did you receive 70?

Of these applications,

How many were for service connected disability 61?

How many were for non-service connected disability 9?

How many were from public safety members 25?

How many were from non-public safety members 45?

In Fiscal Year 2001,

What was your total full time equivalent staff 32?

What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) 1?

If possible please provide a breakdown by position.

In Fiscal Year 2001,

How many disability retirement applications were denied 3?

Of those denied, how many were from non-safety personnel 3?

Of those denied, how many were from safety personnel 0?

Section II

When there is an appeal before a Referee, do you use the services of:

County Counsel X,

In-House Counsel ,

Outside law firm , or

No legal Counsel .



In Fiscal Year 2001, ²⁰⁰⁰

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

Changed the disability application to make it more detailed.

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

no

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

Track processing time by the stages of the disability process

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they? *no*

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

Board reviews staff process for disabilities

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no);

_____, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no)

_____?

Or do you have some other procedure?

Medical advisors recommend denial, staff advises member they have to now request a hearing.



Name of person completing this questionnaire: Kathy Somers;
Title Retirement Benefits mg.
Telephone number (925) 646-5741
Name of retirement association CCERA

If you have any questions about this questionnaire please contact Michael VanBrouaene, KPMG LLP,
213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrouaene
KPMG LLP
355 South Grand Avenue
Suite 2000
Los Angeles, California 90071

San Bernardino County

*San Bernardino
Talked w/ Peggy Combs
on 10/9/01*

**Survey For
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications**

Section I

They keep very few statistics

As of the end of Fiscal Year 2001 (July 30, 2001) or the calendar year ending December 31, 2001:

- What is your total membership active 16,406 _____?
- Of your total membership, what is your total non-safety membership _____?
- Of your total membership, what is your total safety membership _____?

In Fiscal Year 2001,

How many disability retirement applications did you receive _na_____?

Of these applications,

- How many were for service connected disability _____?
- How many were for non-service connected disability _____?

- How many were from public safety members _____?
- How many were from non-public safety members _____?

In Fiscal Year 2001,

- What was your total full time equivalent staff 24 _____?
- What was the total full time equivalent staff count providing services related to disability applications. (This includes managerial and clerical staff, and staff directly involved in reviewing and processing the disability applications. Please do not include any legal staff in this count.) 2.5 _____?
- If possible please provide a breakdown by position.

In Fiscal Year 2001,

- How many disability retirement applications were denied _____?
- Of those denied, how many were from non-safety personnel _____?
- Of those denied, how many were from safety personnel _____?

Section II

When there is an appeal before a Referee, do you use the services of:

- County Counsel xx _____,
- In-House Counsel _____,
- Outside law firm _____, or
- No legal Counsel _____.

In Fiscal Year 2001,

Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?

Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?

Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?

Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?

On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?

If your staff determines that a disability application should be denied,

Does staff then submit this recommendation to your Retirement Board for review (yes or no); _____, or

Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) _____?

Or do you have some other procedure?

Name of person completing this questionnaire: _____;

Title _____;

Telephone number _____;

Name of retirement association _____

If you have any questions about this questionnaire please contact Michael VanBrauene, KPMG LLP, 213/430-2166.

The completed questionnaire should be sent to:

Michael VanBrauene

KPMG LLP

355 South Grand Avenue

Suite 2000

Los Angeles, California 90071

APPENDIX D

SURVEY RESULTS FROM 37 ACT ASSOCIATIONS

County of Los Angeles Auditor-Controller											KPMG LLP
Review of Los Angeles County Employee Retirement Association											
37 Act Association/ Measurement Category	Total membership	Total <u>general</u> membership	<i>As a % of total members hip</i>	Total <u>safety</u> membership	<i>As a % of total members hip</i>	Number of Disability Retirement Applications	<i>As a % of total members hip</i>	Service Connected Disability Retirement Applications	Non-Service Connected Disability Retirement Applications	Public Safety Disability Retirement Applications	<i>As a % of total members hip</i>
San Bern. County	16,406										
Ventura County	7,300	6,100	84%	1,200	16%	57	0.8%	39	18	15	0.21%
Santa Barbara County	7,319	5,881	80%	1,438	20%	36	0.5%	34	2	9	0.12%
Contra Costa County	8,771	7,144	81%	1,627	19%	70	0.8%	61	9	25	0.29%
San Joaquin County	9,062	4,576	50%	794	9%	30	0.3%	25	5	10	0.11%
San Diego County	30,043	14,375	48%	3,425	11%	113	0.4%	43	20	3	0.01%
Los Angeles County	93,812	(3) 81,569	87%	12,243	13%	480		460	20	289	
Los Angeles County w/out Plan E	61,083					480	0.8%	460	20	289	0.47%
Median	9,062	6,622	81%	1,533	15%	64	0.6%	41	14	13	0.2%
Average	24,673	19,941	72%	3,455	15%	131	0.6%	110	12	59	0.2%
LACERA	93,812	81,569	87%	12,243	13%	480	0.8%	460	20	289	0.5%

County of Los Angeles													
Review of Los Angeles													
37 Act Association/ Measurement Category	<i>As a % of total disability applications</i>	General Member Disability Retirement Applications	<i>As a % of total members hip</i>	<i>As a % of total disability applicatio ns</i>	Total staff	<i>As a % of total membershi p</i>	Number of staff providing disability services	<i>As a % of total member ship</i>	<i>As a % of total disability applicati ons</i>	Number of disability applications denied	<i>As a % of total disability applicati ons</i>	Number of public safety disability applications denied	<i>As a % of total disability applicati ons</i>
San Bern. County					24	0.1%	2.5	0.02%					
Ventura County	26%	42	0.6%	74%	12	0.2%	0.5 (1)	0.01%	0.9%	5	9%	0	0%
Santa Barbara County	25%	27	0.4%	75%	9	0.1%	2	0.03%	5.6%	7	19%	3	8%
Contra Costa County	36%	45	1%	64%	32	0.4%	1	0.01%	1.4%	3	4%	0	0.00%
San Joaquin County	33%	20	0.2%	67%	10	0.1%	2.5	0.03%	8.3%	16	53%	4	13%
San Diego County	3%	47	0.2%	42%	57	0.2%	5	0.02%	4.4%	12	11%	1	1%
Los Angeles County	60%	191		40%	241	0.3%				104	22%	42	9%
Los Angeles County w/out Plan E		191	0.3%	40%			21	0.03%	4.4%				
Median	30%	44	0.3%	65%	24	0.16%	2	0.02%	4%	10	15%	2	5%
Average	31%	62	0.4%	60%	55	0.19%	2	0.02%	4%	25	20%	8	5%
LACERA	60%	191	0.3%	40%	241	0.26%	21	0.03%	4%	104	22%	42	9%

County of Los Angeles										
Review of Los Angeles										
37 Act Association/ Measurement Category	<i>As a % of public safety disability applicatio ns</i>	Number of general membershi p disability applications denied	<i>As a % of total disability applicatio ns</i>	<i>As a % of general member disability applicatio ns</i>	Appeal Services	County Counsel?	In-House Counsel?	Outside Law Firm?	No Legal Counsel?	
San Bern. County						x				
Ventura County	0%	5	9%	12%					(2)	
Santa Barbara County	33%	4	11%	15%				x		
Contra Costa County	0.00%	3	4%	6.67%		x				
San Joaquin County	40%	6	20%	30%				x		
San Diego County	33%	11	10%	23%		x				
Los Angeles County	15%	62	13%	32%			x	x		
Los Angeles County w/out Plan E										
Median	24%	6	10%	19%						
Average	20%	15	11%	20%						
LACERA	15%	62	13%	32%						

County of Los Angeles			
Review of Los Angeles			
37 Act Association/ Measurement Category	Did you make any changes to the procedures and processes related to disability applications. If so, could you briefly describe them below, or on a separate piece of paper?	Are you considering any changes, or plan to implement changes, in these procedures and processes during the current Fiscal Year? If so, could you briefly describe them below, or on a separate piece of paper?	Do you use any statistics for measuring the efficiency and effectiveness of staff involved in the review and processing of disability retirement applications? If so, what are they?
San Bern. County			No
Ventura County			
Santa Barbara County	Disability applicants provide input into Job Factors Form completion--states job tasks and physical demands. Applicant comments included in final draft of form provided to physician.	Recently separated from Treasurer's Office. Expect revise by-laws in the future.	No statistics; but evaluate on basis of productivity, job knowledge, judgment, analytical ability, quality of work, written & oral expression, interpersonal relations, work habits.
Contra Costa County	In 2000, changed the disability application to make it more detailed.	No	Track the processing time by the stages of the disability process
San Joaquin County	No	None at this time	Use an "on-line" system to track status.
San Diego County	Now has its own staff reviewing applications to determine how to process with County Counsel's concurrence.	Working on various amendments to by-laws to improve application process.	Number of applications processed and time frame.
Los Angeles County	Reorganized staff into 2 teams, with a supervisor for each team. Also developed a staff for quality control of information in our database and statistics.	No	Bi-monthly review of pending case status report. Yearly review of cases submitted to Bd. of Retirement.
Los Angeles County w/out Plan E			
Median			
Average			
LACERA			

County of Los Angeles					
Review of Los Angeles					
37 Act Association/ Measurement Category	Does the staff/department involved in processing disability applications have formal performance objectives? If so, what are they?	On a regular basis, do you use certain statistical indicators to analyze the efficiency and effectiveness of the staff involved in processing disability applications. If so, what are they?		If your staff determines that a disability application should be denied,	Does staff then submit this recommendation to your Retirement Board for review (yes or no); _____, or
San Bern. County		No			
Ventura County					
Santa Barbara County	Are considering the adoption of these.	No		Yes. Submitted to the Trustee for recommended Board Action.	yes, applicant is notified 1 week prior to Board Meeting.
Contra Costa County	no	Board reviews staff process for disabilities			
San Joaquin County	Staff is expected to work all disability applications to the point that it is the responsibility of the other position to make the next move. And those individuals have timelines to respond.	Every 90 days we make full confidential reports to the Board of Retirement on all open cases.			
San Diego County	Yes, varies depending on the position	Through the Disability Tracking System			
Los Angeles County	Present a minimum of 60 cases per year to the Bd. Of Retirement. Interview applicants within 120 days of application.	Bi-monthly review of pending case status report. Yearly review of cases submitted to Bd. of Retirement.			X
Los Angeles County w/out Plan E					
Median					
Average					
LACERA					

County of Los Angeles		
Review of Los Angeles		
37 Act Association/ Measurement Category	Does staff inform the applicant of the decision with the opportunity to submit an appeal to a referee, before the recommended decision is forwarded to the Retirement Board (yes or no) ____?	Or do you have some other procedure?
San Bern. County		
Ventura County		
Santa Barbara County		
Contra Costa County		Medical advisor recommends denial, staff advises member they have 6 months to request a hearing.
San Joaquin County		yes
San Diego County		Disability Specialists basically recommend whether to process an application administratively or to have the matter set for a hearing.
Los Angeles County		
Los Angeles County w/out Plan E		
Median		
Average		
LACERA		

APPENDIX E

BEST PRACTICES QUESTIONNAIRE

Interview
Los Angeles County Employees Retirement Association
Regarding Disability Retirement Applications

Investigative Procedures

- I. What are the requirements for filing a disability retirement application? (i.e. application, medical affidavit from a physician; also how is accomplished)**

- II. What investigative procedures (if any) are applied to applicant cases? (i.e. department interviews, Sub-rosas, personnel record reviews, worker's comp research)**

- III. What is the average caseload for a position that handles a disability application?**

- IV. If there is limited or no investigation performed on disability applications why is this the organization's policy? (i.e. cost benefit relationship, not enough resources)**

Medical Support

- V. What type of medical evidence is obtained to substantiate an applicant's inability to perform the duties of his/her job? (What is the policy on the number of medical opinions)**

- VI. Are applicants for disability retirement examined by 1 or more physicians? Are they chosen by your organization or by the applicant? Do you have an in-house medical advisor to help you and your Board/governing body interpret and understand the medical examination reports?**

How do you review the performance of physicians?

- VII. Is there any difference in the medical support requirements for psychological vs. physical injury cases? (i.e. additional procedures investigative procedures)**

Board Review

- VIII. Does the Board (or decision making-body) rely on internal medical expertise in the determination of SCD or NSCD?**

- IX. What are the primary factors for determining SCD or NSCD?**

- X. What is the average turnaround time for an initial Board determination?**

- XI. In brief, please explain your appeals process?**

General

- XII. What is the reliance on information systems in the disability application process? (What types of information is captured and in what detail?)**
- XIII. Are there any performance measures used to gauge the efficiency/effectiveness of personnel in the disability application process?**
- XIV. What types of statistical reports regarding the disability application process are utilized by management? (trend analyses, cases pending, etc.)**
- XV. What role does legal counsel perform in the disability application process? (Is it a value added role, partially involved or rarely involved.)**
- XVI. Do you have a formal privacy program?**

APPENDIX F

BEST PRACTICES REPORTS

**City of San Diego Employee Retirement System
City of Los Angeles Fire and Police Retirement System
City of Los Angeles Employee (non-public safety)
Retirement System**

**Best Practices Report
Los Angeles City Employees' Retirement System**

On October 17, 2001

Meeting with:

Lorraine M. Osuna J.D. CEBS
Assistant General Manager
360 East Second Street
2nd Floor
Los Angeles, California 90012-4207
213-473-7258

Mark Blunk
Senior Management Analyst II
213-473-7171

Statistics:

22,000 active members
14,000 retired members
\$7 billion in assets
staff of 100
Approximately 3.5 positions involved in disability retirement activities
They receive about 40 cases annually.

Investigative Procedures

I. What are the requirements for filing a disability retirement application? (i.e. application, medical affidavit from a physician; also how is accomplished)

The member is provided with an application packet setting forth benefits and application procedures. To be eligible the member must be continuously employed with City for 5 years.

II. What investigative procedures (if any) are applied to applicant cases? (i.e. department interviews, Sub-rosa's, personnel record reviews, worker's comp research)

The system provides 3 medical appointments for each medical problem. Staff makes sure the physician focuses on the relationship between the medical problem and job duties of the specific position. They also look at workers compensation records.

They do not use sub rosa's. According to staff, there is no need for sub rosas. According to staff, the level of disability benefits paid, i.e. 33% of last annual compensation, is too low to provide an incentive to attempt to cheat the system.

After all of the relevant information is collected and there is a completed package, the application is given to the Retirement Board of "Initial Consideration". If the Initial Consideration is for approval, then the application is finalized and at the next Board meeting it is officially approved.

If the Initial Consideration is for denial, the applicant has the opportunity to appeal this decision at the next Board meeting. At the appeal, the applicant may have legal counsel.

The Board has legal counsel present at each meeting. Its role is to provide legal advice as needed.

III. What is the average caseload for a position that handles a disability application?

Total caseload for the entire staff is about 40 cases.

IV. If there is limited or no investigation performed on disability applications why is this the organization's policy? (i.e. cost benefit relationship, not enough resources)

They believe there is no need for it.

Medical Support

V. What type of medical evidence is obtained to substantiate an applicant's inability to perform the duties of his/her job? (What is the policy on the number of medical opinions)

Each medical problem is reviewed by 3 system physicians. If, for example, a member has 2 distinct medical problems, there will be a total 6 examinations by 6 respective physicians.

Physicians used by the System cannot also provide workers compensation examinations. They want a "fresh" perspective.

They require that their physicians set forth the nature of any "impairments" related the members job duties. .

VI. Are applicants for disability retirement examined by 1 or more physicians? Are they chosen by your organization or by the applicant? Do you have an in-house medical advisor to help you and your Board/governing body interpret and understand the medical examination reports?

There is no in-house medical advisor.

There is no Service/Non-Service Connected disability. They do not care how or where the medical condition occurred. The issue is the disability itself.

How do you review the performance of physicians?

There is no formal process. However, System staff monitor the timeliness, content and structure (physicians are given a structured approach to reporting on the medical condition of a disability applicant.) of the physician's report.

VII. Is there any difference in the medical support requirements for psychological vs. physical injury cases? (i.e. additional procedures investigative procedures)

Three examinations are required. .

Board Review

VIII. What is the average turnaround time for an initial Board determination?

3 to 9 months.

IX. In brief, please explain your appeals process?

After all of the relevant information is collected and there is a completed package, the application is given to the Retirement Board of "Initial Consideration". If the Initial Consideration is for approval, then the application is finalized and at the next Board meeting it is officially approved.

If the Initial Consideration is for denial, the applicant has the opportunity to appeal this decision at the next Board meeting. At the appeal, the applicant may have legal counsel.

The Board has legal counsel present at each meeting. Its role is to provide legal advice as needed.

Applicants do have the ability to take their case to the Superior Court if they are dissatisfied with the outcome of their case.

General

X. What is the reliance on information systems in the disability application process? (What types of information is captured and in what detail?)

Basic information on all members and disability applicants is maintained electronically. They "scan-in" all information.

XI. Are there any performance measures used to gauge the efficiency/effectiveness of personnel in the disability application process?

Basic data on the department's overall workload is maintained. Each member of the department has a role in processing the applications, therefore no need for individual statistics. No historical review of efficiency and effectiveness data is undertaken.

XII. What types of statistical reports regarding the disability application process are utilized by management? (trend analyses, cases pending, etc.)

There are quarterly and 6 month status reports and an annual report

XIII. What role does legal counsel perform in the disability application process? (Is it a value added role, partially involved or rarely involved.)

The System uses the services of the Los Angeles City Attorney. There is a division of the City Attorney's Office that specializes in serving the 3 City Pension systems: DWP, Police and Fire, and General employees. These attorneys do not work on worker's compensation cases.

Legal counsel provides legal advice as needed.

XIV. Do you have a formal privacy program?

All member information is kept confidential.

XV. Note

The majority of cases are for carpal tunnel syndrome, stress and then physical problems such as a back problem

**Best Practices Report
City of Los Angeles Fire and Police Pension System**

On October 2, 2001

Meeting with:
Mr. D. Edward Griffiths
Executive Officer/Assistant General Manager
213/485-7271
egriff@fppen.lacity.org

Mr. Chris Annala
Pension Claims Officer
213/485-2748

360 East Second Street
Suite 600
Los Angeles, CA 90012

Statistics:

12,378 active members
11,612 retired members
\$11 billion in assets
staff of approximately 60 to 70, may increase to as much as 90 with a new pension plan modification
8 (5 professional and 3 clerical) positions involved in disability retirement activities
They receive about 144 cases annually.

The Retirement Board has 9 members; 5 appointed by the Mayor, 1 representing active fire members, 1 representing retired fire members, 1 representing active police members, and 1 representing retired police members.

Investigative Procedures

- I. What are the requirements for filing a disability retirement application? (i.e. application, medical affidavit from a physician; also how is accomplished)**

Basic information regarding the nature of the medical problem and any other relevant information the member wants to provide. The person that processes this case will obtain all necessary information not provided.

- II. What investigative procedures (if any) are applied to applicant cases? (i.e. department interviews, Sub-rosa's, personnel record reviews, worker's comp research)**

Sub rosa's are used, if warranted on a case by case basis. Sometimes it isn't necessary because the workers compensation system has requested it. The System believes it is important to use sub rosa's when necessary to ensure due diligence and ensure that there are no abuses. Also, the fact that they use sub rosa's serves as a preventative measure.

- III. What is the average caseload for a position that handles a disability application?**

Currently it is about 39 or 40 cases per position. The optimum is 24. The level is high due to understaffing.

IV. If there is limited or no investigation performed on disability applications why is this the organization's policy? (i.e. cost benefit relationship, not enough resources)

They believe it is important to have investigations due to high potential for someone to try to cheat the system. It is a preventative measure.

Medical Support

V. What type of medical evidence is obtained to substantiate an applicant's inability to perform the duties of his/her job? (What is the policy on the number of medical opinions)

Each medical problem is reviewed by 3 system physicians. If, for example, a member has 2 distinct medical problems, there will be a total 6 examinations by 6 respective physicians.

Physicians used by the System cannot also provide workers compensation examinations. They want a "fresh" perspective.

They require that their physicians set forth the nature of any "impairments" related the members job duties. Their physician cannot determine if the member is "disabled". The determination of disability is the responsibility of the Retirement Board.

VI. Are applicants for disability retirement examined by 1 or more physicians? Are they chosen by your organization or by the applicant? Do you have an in-house medical advisor to help you and your Board/governing body interpret and understand the medical examination reports?

They use about 250 physicians.

There is no in-house medical advisor.

How do you review the performance of physicians?

There is no formal process. However, System staff monitor the timeliness, content and structure (physicians are given a structured approach to reporting on the medical condition of a disability applicant.) of the physician's report.

VII. Is there any difference in the medical support requirements for psychological vs. physical injury cases? (i.e. additional procedures investigative procedures)

Three examinations are required. They also administer a MNPI test.

Board Review

VIII. What is the average turnaround time for an initial Board determination?

10 to 12 months. Keep in mind that there is a need for 3 examinations for each physical problem. Most members during this time are on IOD which provides for up to 90% of their normal salary for one year. The System also allows applicants to impact the timing in that if there is a desire to postpone certain activities due to personal reasons (e.g. wedding, take care of sick children or relative), the System allows it.

IX. In brief, please explain your appeals process?

There is no appeal process, per se. If there is new and different information that becomes available subsequent to the denial of a disability application, the Retirement Board will review the additional information.

The chances of missing or misdiagnosing a medical problem is lessened, with 3 separate examinations for each medical condition.

Applicants do have the ability to take their case to the Superior Court if they are dissatisfied with the outcome of their case.

General

X. What is the reliance on information systems in the disability application process? (What types of information is captured and in what detail?)

Data is maintained and reported to the Board on the status of all cases.

XI. Are there any performance measures used to gauge the efficiency/effectiveness of personnel in the disability application process?

Basic data on each employee's workload is maintained and reviewed. No historical review of efficiency and effectiveness data is undertaken.

XII. What types of statistical reports regarding the disability application process are utilized by management? (trend analyses, cases pending, etc.)

Basic data on each employee's workload is maintained and reviewed. No historical review of efficiency and effectiveness data is undertaken.

XIII. What role does legal counsel perform in the disability application process? (Is it a value added role, partially involved or rarely involved.)

The System uses the services of the Los Angeles City Attorney. There is a division of the City Attorney's Office that specializes in serving the 3 City Pension systems: DWP, Police and Fire, and General employees. These attorneys do not work on worker's compensation cases.

XIV. Do you have a formal privacy program?

All member information is kept confidential.

XV. Note

This System has an extensive procedures manual that serves as the basis for the processing of disability applications. According to staff interviewed, it helps to ensure that their internal process is standardized and uniform. It also is used for training staff.

Best Practices Report
City of San Diego Retirement System
On 9/28/01

Meeting with
Larry Grissom
Retirement Administrator
City of San Diego Retirement System
401 B Street
Suite 400
MS 840
San Diego, California 92101-4227

lbg@sdcity.sannet.gov

619-533-4655

Statistics:

11,000 active members

5,500 retirees

\$2.4 billion in assets

50 total staff

1 ½ positions, a Medical Review Officer and a clerical position, involved in disability retirement activities

They receive about 200 to 300 applications per year

The retirement board has 19 members representing respective types of members, retirees, and ex officio offices

Investigative Procedures

I. What are the requirements for filing a disability retirement application? (i.e. application, medical affidavit from a physician; also how is accomplished)

Mr. Grissom provided a packet containing an explanation of the disability application process and required information

Key item: The disability retirement applicant has to provide a physician's medical report stating the nature of the medical problem, its relationship to job duties, and a statement that the applicant can no longer perform the job duties. This differs from LACERA, which does not want to rely on the member's physician, but has its own panel of physicians.

II. What investigative procedures (if any) are applied to applicant cases? (i.e. department interviews, Sub-rosa's, personnel record reviews, worker's comp research)

The Medical Review Officer, who has a medical background (occupational nursing) reviews all disability applications to determine that there is a disability that prevents the member from performing job duties. This position, can agree or disagree with the

medical evaluation of the physician. The position, can also refer the applicant to a Retirement System physician for a second opinion.

If the Medical Review Officer agrees with the physician report, a recommendation to grant disability retirement is sent to the Retirement Board.

The System does not use sub rosa's. It believes that there is no substantial benefit from them. It believes that the case should rely on medical evidence provided by a physician and reviewed by its Medical Review Officer. It believes that the costs of paying for sub rosa's is greater than the benefits that might derive from periodically finding a member that is not disabled.

I was also given the example, there has been a situation in which an applicant with a bad back was found doing strenuous labor. However, the fact was that this person did have a bad back and was in bed for several days thereafter due to the strenuous activity.

They see sub-rosa's as providing a snapshot, but not necessarily the complete picture, of an applicant.

On an actuarial basis, there would be no change in the level of disability applications ultimately approved. For example, about 70% of public safety disabilities are "industrial" related. This is a historical fact and will not significantly change with the use of sub rosa's or if the System used its own physicians.

III. What is the average caseload for a position that handles a disability application?

2 positions for 200 to 300 applications

IV. If there is limited or no investigation performed on disability applications why is this the organization's policy? (i.e. cost benefit relationship, not enough resources)

The System believes that its review of member physician reports and workers compensation medical reports is sufficient.

Medical Support

V. What type of medical evidence is obtained to substantiate an applicant's inability to perform the duties of his/her job? (What is the policy on the number of medical opinions)

A medical report from the member's physician is the starting and ending point for most disability applications. A second opinion is obtained if the Medical Review Officer believes it necessary.

VI. Are applicants for disability retirement examined by 1 or more physicians? Are they chosen by your organization or by the applicant? Do you have an in-house medical advisor to help you and your Board/governing body interpret and understand the medical examination reports?

How do you review the performance of physicians?

They use a Medical Review Officer

VII. Is there any difference in the medical support requirements for psychological vs. physical injury cases? (i.e. additional procedures investigative procedures)

Employees hired after 1982 are ineligible to receive disability retirement due to psychological causes. In some instances, although there is a psychological problem, there is also a physical manifestation. Consequently, there are instances in which the physical manifestation results in retirement disability being granted.

Board Review

VIII. What is the average turnaround time for an initial Board determination?

About 90 days. They speed it up when necessary.

IX. In brief, please explain your appeals process?

If an applicant disagrees with the Board decision an administrative appeal can be requested. The System uses a private adjudication company. If it desired, it could use Referees as they are selected and used by LACERA. It has used the method for 6 or 7 years.

They believe that their method is the best way to have a process that appears to be and is impartial.

The System has its own legal counsel which represents it at these hearing.

General

X. What is the reliance on information systems in the disability application process? (What types of information is captured and in what detail?)

The systems uses some basic reports to track their disability applicants. With only 50 staff in total, and 2 staff assigned to disability applications they do not see the need for significant monitoring of workload.

XI. Are there any performance measures used to gauge the efficiency/effectiveness of personnel in the disability application process?

Not really

XII. What types of statistical reports regarding the disability application process are utilized by management? (trend analyses, cases pending, etc.)

There are some basic reports that identify the status of cases being processed.

XIII. What role does legal counsel perform in the disability application process? (Is it a value added role, partially involved or rarely involved.)

See above regarding appeals.

XIV. Do you have a formal privacy program?

All member information is kept confidential.