

# PENSION FUNDAmentals®

Trustee Development Seminar III

Benefits Administration

**MAPERS**

Spring 2015 Conference

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# Objective for Trustee Development Seminar III



To provide retirement system trustees and plan professionals a general overview regarding the administration of service and disability pension benefits.

# Fiduciary Responsibilities of the Retirement Board

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- **Legal Duty – Board must act in the BEST INTEREST OF THE FUND.**
  - **The Board of Trustees is vested with the administration, management and operation of the Retirement System.**
  - **Trustees must “act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.”**

# Fiduciary Responsibilities of the Retirement Board

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- **Balancing Act – Ensure members receive all entitled benefits: *No More, No Less.***
- **Autonomy**
  - **Board has specific duties, responsibilities, and authority.**
  - **Board's ability to act independently (fair and impartial) is paramount.**
  - **Board's responsibilities may not always align with objectives of: employer, union, or individuals.**

# Regular Service Retirement

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- **Service Retirement Procedures**
  - Detail the people, process and timing
- **Application for Service Retirement**
- **Acknowledgement of Retirement Application**
- **Retirement Allowance Form**
- **Approval of Service Retirement**

# Other Service Related Issues

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- **402 Notice – Plan administrators must furnish written explanation of rollover rules to distributees.**
- **Eligible Domestic Relations Orders**
- **Verifying Information**
- **Re-Employment of Retirees**
- **Death Records Search**
- **Basis Recovery – Tax Reporting / Withholding**

# Disability Retirement

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## Standardizing the Disability Claim Process

- **Time is Money**
  - **Efficient administration reduces cost**
  - **Reduces member questions: mutual benefit**
- **Establish written guidelines**
  - **Consistency of administration**
  - **Promotes effective / efficient processing of benefits**
  - **Supports proper payment of benefits**
  - **Ensures due process**
  - **Protection against arbitrary / capricious action**

# Disability Retirement

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## **Standardizing the Disability Claim Process**

- **Document each step or phase**
  - **Board Resolutions**
  - **Proof of Notice**
  - **Legal Protection**
  
- **Protection Against Fraud / Bad Publicity**



# Disability Retirement

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## WHEN DOES THE DISABILITY PROCESS START?

- **Establish a “pro-active” policy on Retirement System membership.**
- **Board may request prior medical / employment records and may require pre-membership examinations**
  - **Ensures that medical review process is consistent**
  - **Establishes baseline of medical condition (pre-existing injuries)**

# Disability Retirement

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## **WHEN DOES THE DISABILITY PROCESS START?**

- **Board may wish to incorporate pre-employment medical reports.**
- **Cost savings**
- **Applicant's time and privacy**

# Effectively Processing Disability Claims

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- **Policies, Procedures and Forms**
  - **Disability Retirement Procedure**
  - **Disability Retirement Re-Examination Procedure**
- **Comprehensive Application**
- **Authorization to Obtain Medical Records**
- **Obtain Relevant Records / Information**
  - **Medical and Employment Files;  
Interrogatories**

# Effectively Processing Disability Claims

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- **Fact Finding – Independent Investigation**
  - Witness Interviews**
  - Incident Reports**
  - Medical Reports**
  - Background Checks**
  - Video Tapes**

# Effectively Processing Disability Claims

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- **Appoint Examining Physician or Medical Review Board**
  - ❑ **Independent Medical Examinations (IME)**
  - ❑ **Specialist / expert in field of claimed disability**
  - ❑ **Responsibility of Medical Advisor / Committee**
    - **Duty is to the Board**
    - **Shall arrange for and pass upon all medical examinations**
    - **Investigate all essential matters of a medical nature**
    - **Report in writing conclusions, recommendations and opinions**

# Effectively Processing Disability Claims

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- **Review of Medical Report and Presentation of Testimony**
  - **Formal / Informal hearing**
  - **Board to receive copies of all medical & incident reports**
  
- **Frequency and / or Waiver of Re-Examinations**

# Disability Standards of Review

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- **Burden of Proof**
  - **Burden of proving entitlement to disability benefits is ON THE APPLICANT**
  - **Standard is “Preponderance of the Evidence” – More Likely than Not**
- **Eligibility requirements are those established in the plan document**
- **Courts review Board decisions using an “arbitrary and capricious” standard**
- **Employment Standard: “... for duty in ...”**

# Disability Standards of Review

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- **Employment Standard: “. . . totally and permanently incapacitated for duty in the employ of. . . ”**
  - Department Standard**
  - Job Classification Standard**
  - Municipal-wide Standard**



# Disability Standards of Review

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- **Permanent vs. Temporary**
  - **What is permanent?**
  - **Ability of Board to require reasonable medical treatment / therapy**
  - **Re-examination period**
  
- **Total vs. Partial**
  - **Collective bargaining provisions re: light duty**
  - **Reasonable Accommodations: Americans with Disabilities Act (ADA)**

# Disability Standards of Review

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- **Duty vs. Non-duty**
  - **Determination vested in the Board**
  - **“In the performance of duty” or “Natural and proximate result of causes arising out of and in the course of employment”**
  - **Prior medical history and reports**
  - **Worker’s Compensation Presumptions – Heart and Lung Act**

# Disability Benefit Offset

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- **Worker's Compensation Offset**
- **Worker's Compensation Offset Policy / Procedure**
- **General Offset for Gainful Employment**
- **Monitoring Policy**

# Confidentiality / Privacy

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- **Board recognition of Member's Right to Privacy**
  - **Health Insurance Portability and Accountability Act (HIPPA)**
- **Open Meetings Act / Freedom of Information Act**
  - **No specific exemption: Board may consider material exempt from discussion in open meeting or disclosure on the basis of individual privacy rights under state and federal law**

# Taxation of Disability Benefits

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- **BOARD SHOULD NOT RENDER TAX ADVICE**
- **Disability Benefit Taxation is specific to Calculation of / Entitlement to Benefits**
  - **If “In the Nature of Worker’s Compensation Benefit”: Non-Taxable**

# Question / Comments

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