

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: S.F. xxx; H.F. 1504 (Thissen): Minneapolis Firefighters Relief Association (MFRA); Service Pension and Disability Benefit Amounts

DATE: April 18, 2005

Summary of S.F. xxx; H.F. 1504 (Thissen)

S.F. xxx; H.F. 1504 (Thissen) amends Minnesota Statutes, Chapter 423C, the governing law for the Minneapolis Firefighters Relief Association (MFRA), by making the following changes:

1. Eliminates Active Membership Requirement for Service Pension Entitlement. Service pension entitlements changed from an active member with five years of service and reaching at least age 50 to simply a member (Section 1, Paragraph (a));
2. Eliminates Lower Service Pension Amounts Based on Lower Plan Funded Ratios. The current law provision that sets service pension amounts based on the funded ratio of the relief association (under 90 percent, 90 percent to 92.5 percent, and over 92.5 percent) is eliminated, freezing the current service pension amount at the pre-2002 “over 100 percent funded” service pension level (Section 1, Paragraph (b));
3. Disallows the Recomputation of Disability Benefits as Service Pensions Under Minnesota Statutes, Section 423A.11. The Minneapolis Firefighters Relief Association is excepted from the general state law, Minnesota Statutes, Section 423A.11, that requires the recomputation of a disability benefit as a service pension at the same amount as the prior disability benefit (Section 2); and
4. Prohibition on Pension Benefit Reductions. A ban is placed on the reduction of the dollar amount of a pension benefit once the pension benefit is properly paid to any member under Minnesota Statutes, Chapter 423C (Section 3).

Background Information on the Minneapolis Firefighters Relief Association

Background information on the Minneapolis Firefighters Relief Association is set forth in Appendix A.

Background Information on the Minneapolis Firefighters Relief Association Funding Problems

Background information on the funding problems of the Minneapolis Firefighters Relief Association is set forth in Appendix B.

Background Information on the Local Police and Paid Firefighter Relief Association Recomputed Disability Benefit Provision

Background information on the requirement for local police and paid firefighter relief associations to recompute disability benefits as service pensions upon reaching retirement age is set forth in Appendix C.

Discussion and Analysis

S.F. xxx; H.F. 1504 (Thissen) amends the governing law of the Minneapolis Firefighters Relief Association by eliminating the active membership requirement for entitlement to a service pension, by eliminating the lower service pension amounts correlated with lower plan funded ratios, by disallowing the recomputation of disability benefits as service pensions as is required by current state law, and by prohibiting any pension benefit reduction.

S.F. xxx; H.F. 1504 (Thissen) raises several pension and related policy issues that may merit Commission consideration and discussion, as follows:

1. Appropriateness of the Elimination of the Active Membership Requirement for Service Pension Entitlement. The policy issue is the appropriateness of eliminating the requirement for entitlement for a service pension that a member be an active member. When the Minneapolis Firefighters Relief Association governing law was recodified in 2001, based on drafts prepared by the association’s lawyers, the requirement that a retiring member be an active member was part of that recodification. Now the association desires to drop the active status requirement for reasons that are not clear on the face of the legislation, perhaps related to the reversal in paragraph (b) of the section of a benefit

diminution based on the association funded ratio that was enacted in 1997 or perhaps related to the change in the reclassification of disability benefits at retirement age in section 2. The association representatives should be requested to explain their intent in suggesting the elimination of the active status requirement. If the explanation is not convincing, the change should be deleted. Amendment LCPR05-149 would restore the current language in paragraph (a) of Minnesota Statutes, Section 423C.05, Subdivision 2.

2. Appropriateness of Eliminating the Range of Service Pension Amounts Based on the Association Funded Ratio. The policy issue is the appropriateness of reversing the 1997 benefit change and disconnecting the relationship between the level of the service pension and the funded condition of the pension plan. In 1997, based on the results of the 1996 actuarial valuation, with a funded ratio of 82.75 percent, a three tier service pension amount system was implemented, based on the funded ratio of the plan (under 90 percent, between 90 percent and 92.5 percent, and over 92.5 percent). The breakpoints for the service pension levels were selected by the relief association and were not debated to any extent by the Commission or by the Legislature. The funded ratio of the Minneapolis Firefighters Relief Association jumped from 82.75 percent in 1996 to 89.52 percent in 1997 and to 105.36 percent in 1998, when the service pension amount jumped from the bottom of the tier to the top of the tier. In 2002, the Minneapolis Firefighters Relief Association dropped from its 2001 103.92 percent funded ratio to 87.19 percent funded ratio and under the terms of the 1997 legislation, should have dropped from that highest service pension tier to the lowest service pension tier. The potential for variability in funded ratios was known by Minneapolis Firefighters Relief Association officials, since the funded ratio of the plan dropped significantly from 1992 (73.87 percent funded) to 1993 (69.50 percent funded). In 1997, the Minneapolis Firefighters Relief Association representatives made the argument that the plan membership should be rewarded for the plan's funding progress by relating benefit levels to funding progress. As the investment markets recover from the 2000-2001 downturn and the actuarial value of assets formula progresses, the funding ratio of the plan will recover and the service pension amounts will return to the upper tier level. Amendment LCPR05-150 would eliminate the change proposed in section 1 if the Commission decides to hold the Minneapolis Firefighters Relief Association to the terms of its 1997 benefit increase arrangement.

3. Appropriateness of the Disallowance of Required Disability Benefit Recomputations. The policy issue is the appropriateness of exempting the Minneapolis Firefighters Relief Association from the requirements of Minnesota Statutes, Section 423A.11, not permitting any future recomputation of any disability benefit resulting from a service-related disease or injury, and permitting any member of the Minneapolis Firefighters Relief Association to revoke the recomputation of a service-related disability pension, but continuing the recomputation of non-service related disability pension benefits as a full 25-year service pension. The Minneapolis Firefighters Relief Association has three disability benefits, a temporary disability pension in an amount determined by the Minneapolis Firefighters Relief Association Board, a service-related permanent disability pension of 41 units (a unit is 1/80th of the maximum monthly salary of a first grade firefighter), and a non-service-related permanent disability pension in an amount determined by the Minneapolis Firefighters Relief Association Board, not to exceed 41 units. A normal service pension under the uppermost service pension amount tier is 1.6 units per year of service, with two additional units for the 20th year of service, to a maximum of 42 units. When the Commission's Disability Benefit Subcommittee considered the subject matter in 1981, based on public concern over the high utilization of disability benefits by some local police and paid firefighter relief associations, the Minneapolis Firefighters Relief Association had the highest utilization of disability benefits of any of the 48 then-existing local police and paid firefighter relief associations, at 38 percent of all benefit recipients. The recomputation requirement appears to have had an effect, at least over time, in reducing the number of retirement age disabilitants from the disability benefits rolls, as follows:

Year	Number of Disabilitants	Total Number of Recipients	Disabilitant % of Total
1983	98	558	17.56%
1984	88	548	16.06%
1985	82	555	14.77%
1986	78	559	13.95%
1987	73	555	13.15%
1988	67	562	11.92%
1989	67	555	12.07%
1990	64	557	11.49%
1991	57	554	10.29%
1992	55	564	9.75%
1993	53	574	9.23%
1994	51	575	8.87%

Year	Number of Disabilitants	Total Number of Recipients	Disabilitant % of Total
1995	51	596	8.56%
1996	50	596	8.39%
1997	54	603	8.96%
1998	10	611	1.64%
1999	9	622	1.45%
2000	8	653	1.23%
2001	6	645	0.93%
2002	8	634	1.26%
2003	8	632	1.27%

It should be noted that the significant reduction in the number of disabilitants occurred at the same time that the relief association changed consulting actuarial firms. The actuarial valuations do not differentiate between service-related disabilitants and non-service-related disabilitants. The relief association representatives should be requested to explain why the Minneapolis Firefighters Relief Association should be the first local relief association exempted from this statutory recomputation requirement.

4. Appropriateness of Pension Benefit Reduction Prohibition Provision. The policy issue is the appropriateness of the provision that would prohibit the reduction in the dollar amount of any pension benefit once the pension benefit is properly paid to a member. The provision is unclear both as to its language and as to the problem it is intended to remedy. The chief language problems are the terms “pension benefit” and “properly paid.” Some benefits provided by the Minneapolis Firefighters Relief Association, such as temporary disability benefits and service pensions for single members who subsequently become married, are intended to either change in amount or to end entirely. If taken literally, the pension guarantee language reference to “pension benefit” could be interpreted by the Minneapolis Firefighters Relief Association or by its members as overriding the statutory conditions on the benefit. The notion “properly paid” is also problematic, especially in the case of disability benefits, where the qualification for benefit payment is not very transparent. There is no obligation on the part of the relief association to report to the Legislature or elsewhere broadly or specifically on the basis for granting each benefit and the qualification determinations made by the relief association, as the issue of “properly paid” may not be actually resolved for some time. The extent of any scrutiny by the State Auditor currently in performing periodic audits to determine whether each and every benefit is “properly paid” is unclear. The provision, if appropriate, would be strengthened by requiring the State Auditor to specifically review every Minneapolis Firefighters Relief Association benefit determination to ascertain whether the benefit is “properly paid.” Amendment LCPR05-151 provides language to this effect. It is also unclear as to what problem or mischief the provision is intended to remedy. If the provision is directed at future feared legislative action, the relief association officials should be queried about those fears and their reasonableness. If the provision is intended to grandparent benefit recipients against adverse benefit changes contemplated in law, such as the three tiers of service pension amounts dependent on the association’s funding ratio, the reasonableness of the provision is very questionable. If the pension benefit reduction prohibition provision is determined by the Commission to be unnecessary or problematic, the Commission should consider eliminating the provision. Amendment LCPR05-256 would eliminate the provision from the bill.

5. Appropriateness of the Lack of a Local Approval Provision; Extent of Minneapolis City Support. The policy issue is the appropriateness of omitting a local approval requirement from the effective date section and the extent of Minneapolis city support for the changes in the proposed legislation. Article XII, Section 2, of the Minnesota Constitution specifies that a law applying to a single local government unit is a local law that must name the local government unit and must include a local approval requirement. Although the proposed legislation clearly applies only to Minneapolis and names Minneapolis in its title, the proposed legislation does not include a local approval provision. When Minnesota Statutes, Chapter 423C, was enacted in 2001 (First Special Session Laws 2001, Chapter 10, Article 15), the recodification was made subject to local approval by the City of Minneapolis. If the Commission concurs that local approval is required by the Minnesota Constitution for this proposed legislation, Amendment LCPR05-152 replaces the current effective date with a local approval requirement. It is unclear whether or not the City of Minneapolis supports this proposed legislation. If the City of Minneapolis does not support the proposed local legislation, it may be a poor utilization of legislative time and effort for the Commission to consider the proposal further.

Appendix A

Background Information on the Minneapolis Firefighters Relief Association

In Minnesota, as public employee pension coverage has developed, there are a combination of statewide public pension plans and local public pension plans. The Minneapolis Firefighters Relief Association is one of the state's local public employee pension plans and one of the few remaining local plans for police or paid firefighters. Initially, pension coverage for police officers and firefighters was provided solely by local pension plans but, over time, statewide pension plans have replaced local plans for police officers and for paid firefighters.

The Minneapolis Firefighters Relief Association was established as an organization in 1868, initially to provide relief to disabled firefighters and to their families, when the Minneapolis Firefighters was a volunteer fire department, and was incorporated under Minnesota law in 1886, after the Minneapolis Firefighters Department became a paid fire department, in 1879. The Minneapolis Firefighters Relief Association began paying service pensions to retiring firefighters in 1897. Membership in the Minneapolis Firefighters Relief Association was closed to new firefighters as of June 15, 1980, when pension coverage for newly hired Minneapolis firefighters shifted to the statewide Public Employees Police and Fire Plan (PERA-P&F).

The Minneapolis Firefighters Relief Association provides from its special fund a salary-related service pension to firefighters retiring at age 50 or older with at least five years of service, a disability benefit to temporarily or permanently disabled firefighters, a survivor benefit to the surviving family of a deceased active, retired, or disabled firefighter, and a return of contributions to the estate of deceased active, retired, or disabled firefighters on whose behalf no survivor benefit is payable. Pensions and benefits are based on the salary of a first grade firefighter, irrespective of the actual rank of the firefighter, and these pensions and benefits increase as the salary of a first grade firefighter increases (the "escalator" post-retirement adjustment mechanism) and increase based on the investment performance of the special fund (the "thirteenth check" post-retirement adjustment). Under Laws 1997, Chapter 233, Article 4, a joint-and-survivor optional annuity form can be elected in lieu of the automatic survivorship coverage otherwise provided by the fund.

Additionally, from its general fund, the Minneapolis Firefighters Relief Association provides a \$1,200 lump sum death benefit to the survivors or estate of deceased active or former firefighters and a \$102 per year of service lump sum retirement benefit to a retiring firefighter.

The Minneapolis Firefighters Relief Association is managed by a governing board of 12 members, of which two are active firefighters, eight are retired firefighters or surviving spouses, and two are appointed representatives of the City of Minneapolis. In addition to maintaining records and determining benefit amounts, the Minneapolis Firefighters Relief Association governing board is the investment authority for the assets of the special (pension) and general (non-pension) funds of the relief association.

In calendar year 2003, the Minneapolis Firefighters Relief Association received total contributions of almost \$1.5 million (90.5 percent from the state and 9.3 percent from the members), received net investment income slightly in excess of \$42.8 million, paid total retirement benefits of almost \$20 million, and paid administrative expenses slightly in excess of \$600,000 (34 percent for personnel, 39 percent for professional services, and 27 percent for conferences, communications, office rent, and other items).

Appendix B

Background Information on the Minneapolis Firefighters Relief Association Funding Problems

Historically, the Minneapolis Firefighters Relief Association was one of the worst funded public retirement plans in the state, with a funding ratio (assets divided by accrued liabilities) of just over one-half of one percent in 1967, of just under five percent in 1972, and of just under 21 percent in 1982. The plan was funded on a current disbursements/pay-as-you-go basis (contributions essentially equal to annual benefit payments) for about a century, which led to its poor funding situation in the 1960s. The Local Police and Paid Firefighters Relief Association Guidelines Act of 1969 phased-in funding of the Minneapolis Firefighters Relief Association and the other 51 local paid public safety employee pension plans on an actuarial basis, which resulted in the improved funding ratios in the 1970s. In 1980, the Minneapolis Firefighters Relief Association was closed to new active members, an amortization requirement (by 2010) was added, and the amortization state aid program was created, with the Minneapolis Firefighters Relief Association receiving about one-third of the \$6.5 million annual state aid amount.

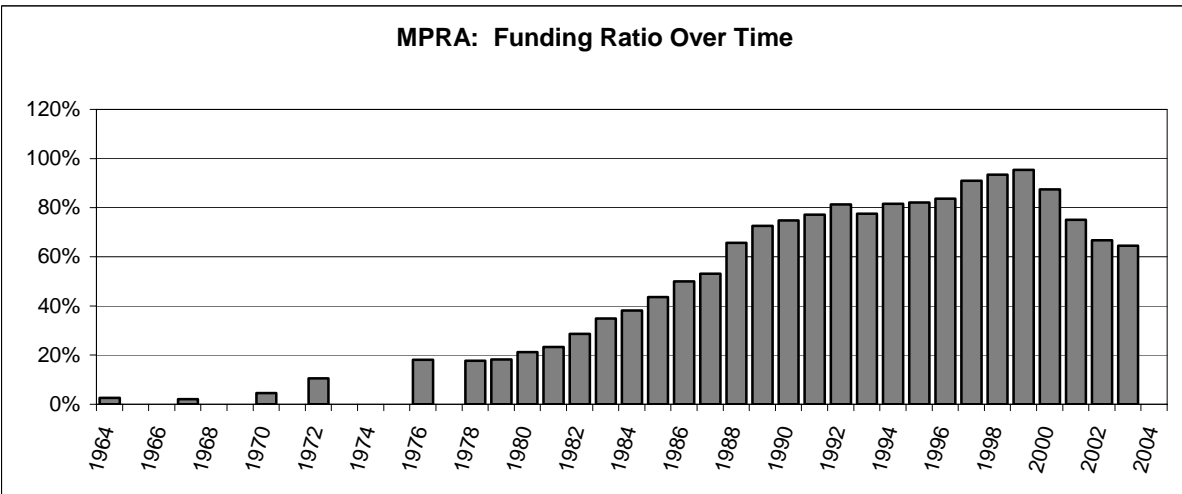
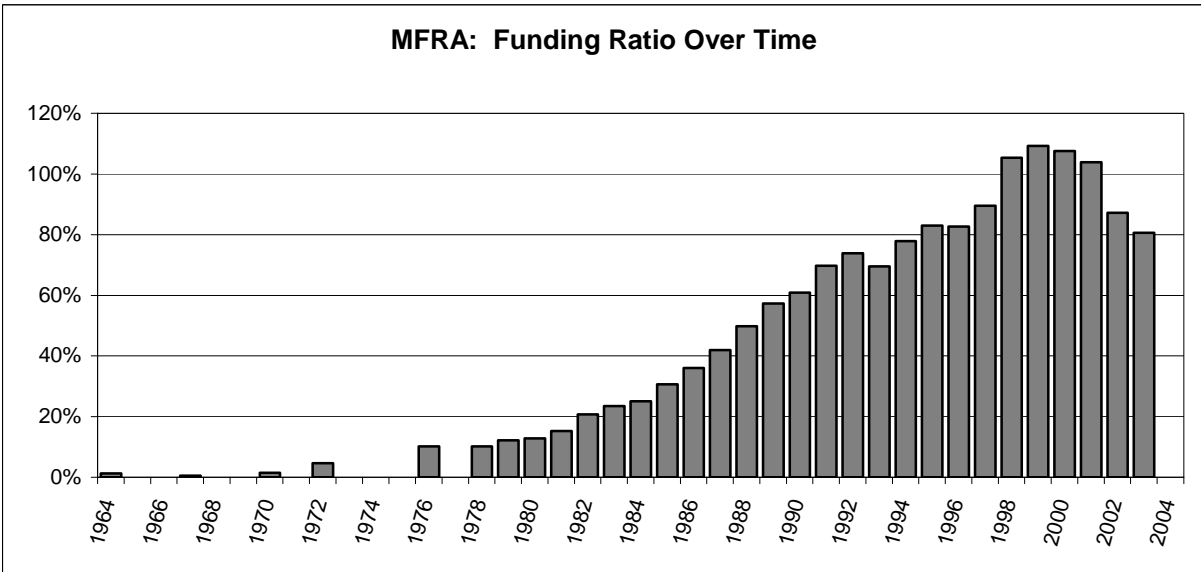
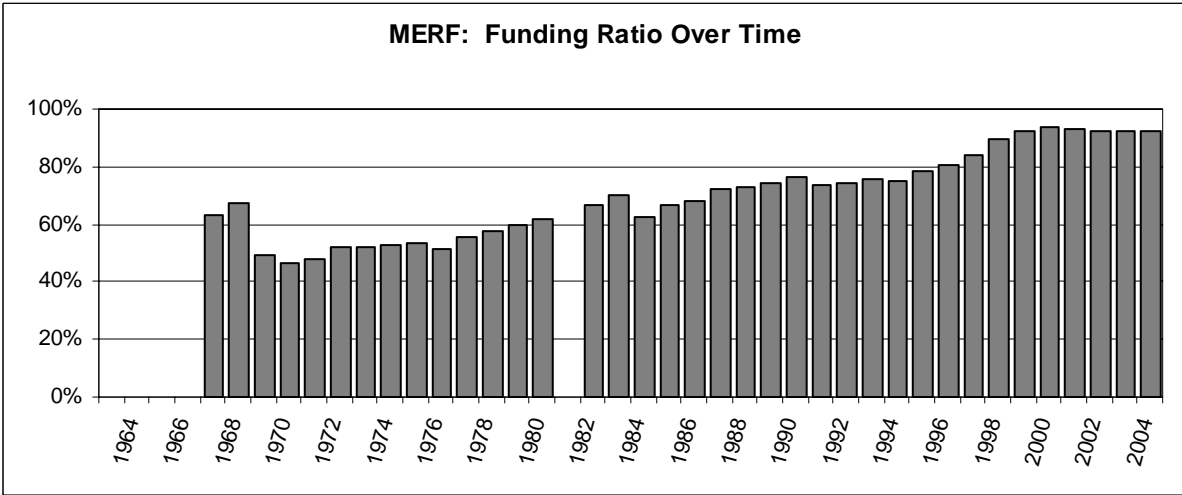
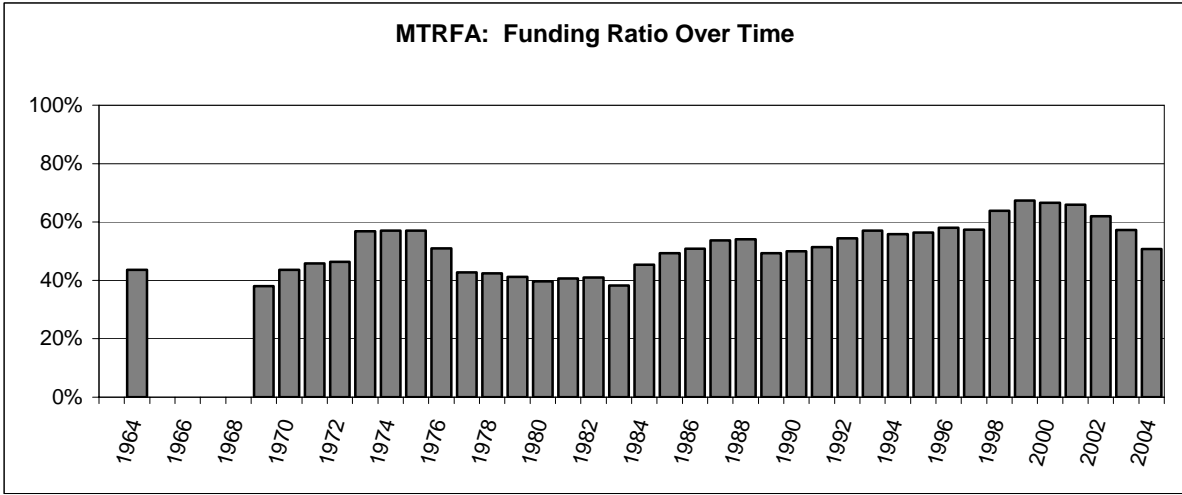
The addition of actuarial funding requirements in 1969 and 1980 and the addition of annual amortization state aid in 1980, supplemental amortization aid in 1984, and additional amortization aid in 1996, combined with the periodically strong investment markets since 1980, produced consistently improving funding ratios since 1982, culminating in the plan becoming fully funded in 1998. The improved funded condition of the Minneapolis Firefighters Relief Association caused the employer requirement to drop from \$9.7 million per year in 1993 to \$0.7 million per year in 2002, despite benefit increases during the period.

However, from a funded ratio high of 109 percent in 1999 and a \$27 million funding surplus, the Minneapolis Firefighters Relief Association funded ratio now has dropped to 81 percent and the plan currently has a \$57 million unfunded actuarial accrued liability. This fall in funded condition has caused the employer contribution requirement to climb to \$6.1 million. The actuarial for the Minneapolis Firefighters Relief Association also is currently recommending a strengthening of the plan's retired lives mortality assumption, which, if implemented after approval by the Legislative Commission on Pensions and Retirement, will cause a further decline in the plan's funded ratio and will increase the employer obligation to the plan, despite the significant recent decline in the number of active members.

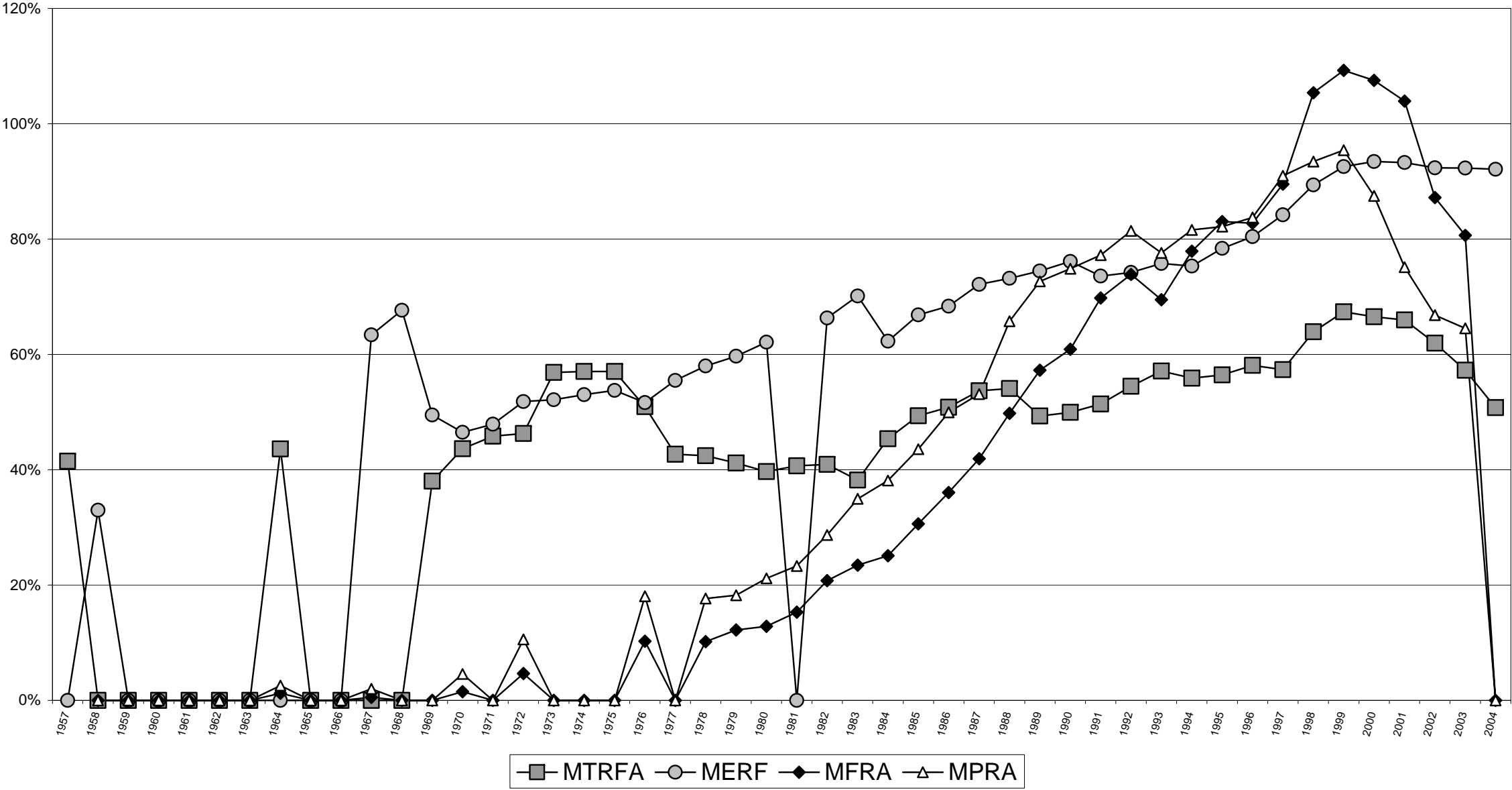
Since 1982, the Minneapolis Firefighters Relief Association has received \$33.5 million in special direct pension-related aids, or 28.37 percent of the unfunded actuarial accrued liability of the plan that existed in 1982. Combined with \$18.6 million in fire state aid since 1982, payable to the Minneapolis Firefighters Relief Association, the State has funded 44 percent of the 1982 Minneapolis Firefighters Relief Association unfunded actuarial accrued liability.

Since 1969, when the Legislature entered the arena of regulating local pension plan funding, the Minneapolis Firefighters Relief Association has sought and received numerous benefit increases, including a survivor benefit change in 1969 (Laws 1969, Chapter 819), a service pension change in 1971 (Laws 1971, Chapter 542), a surviving spouse benefit change in 1975 (Laws 1975, Chapter 57), a survivor benefit change in 1977 (Laws 1977, Chapter 164), the addition of a health and welfare benefit in 1980 (Laws 1980, Chapter 607, Article XV), the addition of a second post-retirement increase mechanism in 1989 (Laws 1989, Chapter 319, Article 19), the addition of a health insurance account and benefit in 1990 (Laws 1990, Chapter 589, Article 1), a survivor benefit change in 1992 (Laws 1992, Chapter 454), a service pension change in 1993 (Laws 1993, Chapter 125), a surviving spouse benefit change in 1994 (Laws 1994, Chapter 591), disability benefit, survivor benefit, and service pension changes in 1996 (Laws 1996, Chapter 448, Articles 2 and 3), surviving spouse benefit and second post-retirement increase mechanism changes in 1997 (Laws 1997, Chapter 233, Article 4), the addition of optional annuity forms in 1998 (Laws 1998, Chapter 390, Article 7), the addition of a third post-retirement increase mechanism in 2000 (Laws 2000, Chapter 499), surviving spouse and disability benefit changes in 2002 (Laws 2002, Chapter 231), and survivor benefit changes in 2003 (Laws 2003, Chapter 12, Article 11). The City of Minneapolis approved all these benefit increases and most of these benefit changes increased the Minneapolis Firefighters Relief Association actuarial accrued liability.

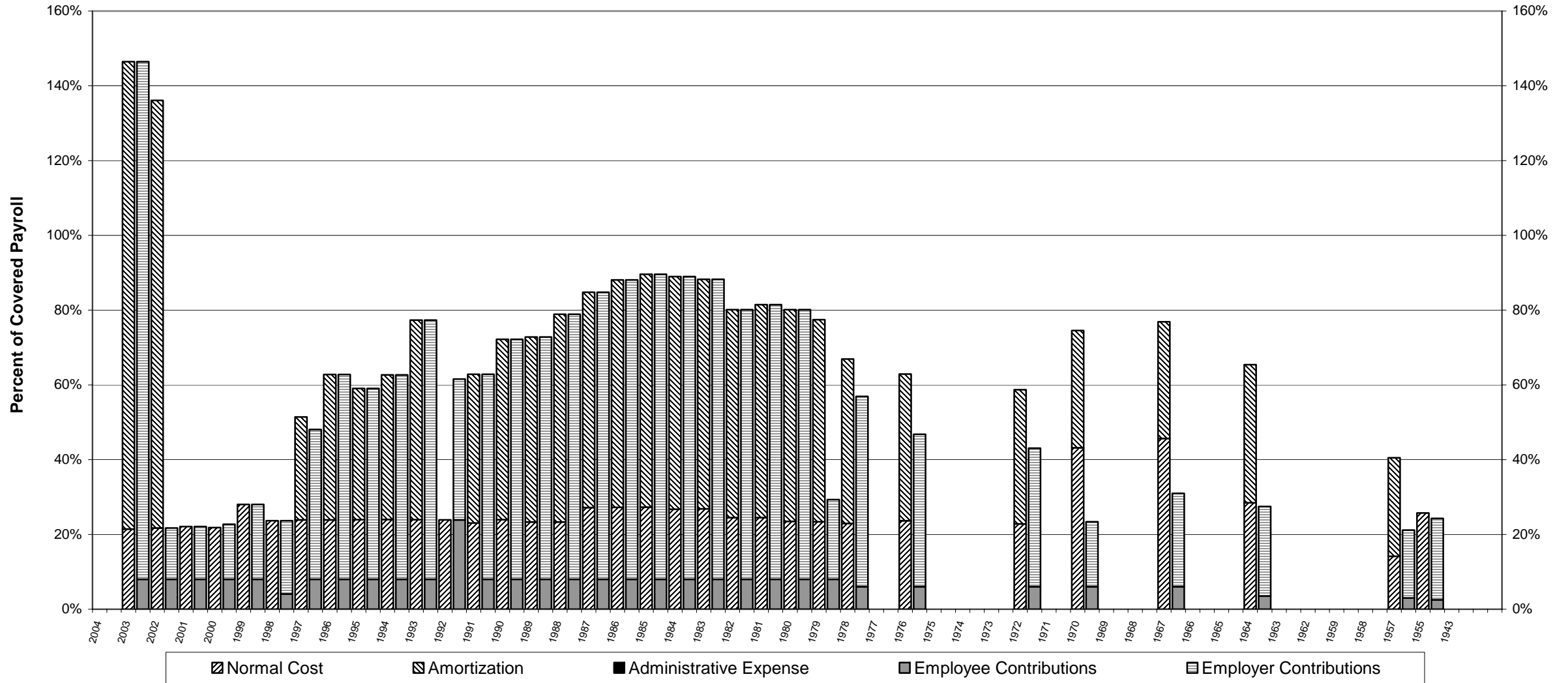
Additionally, without any prior legislative authorization, in 1994, the Minneapolis Firefighters Relief Association Board ratified the salary amount that it recognized as the salary of a top grade firefighter, on which all service pension and other Minneapolis Firefighters Relief Association benefits are based, producing a considerable increase in the Minneapolis Firefighters Relief Association actuarial accrued liability.



Minneapolis Plans Funding Ratio Over Time



MFRA Total Requirements and Total Contributions Over Time



Total Requirements = Normal Cost + Amortization + Administrative Expense (1st Bar)

Total Contributions = Employee Contributions + Employer Contributions (2nd Bar)

Appendix C

Background Information on the Local Police and Paid Fire Relief Association Recomputed Disability Benefit Provision

The provision that requires local police and paid firefighter relief associations to recompute disability benefits as service pensions when the disabilitant reaches the minimum service pension age, Minnesota Statutes, Section 423A.11, is the result of the work of the Disability Benefit Subcommittee of the Legislative Commission on Pensions and Retirement during the 1981-1982 Interim and the provision has been unamended since 1982, when it was enacted.

The Disability Benefit Subcommittee of the Legislative Commission on Pensions and Retirement was established by the chair of the Commission, Representative John J. Sarna, on June 11, 1981. Representative Frank J. Rodriguez, Sr. was appointed as chair of the Subcommittee, and Senators Dennis R. Frederickson, Earl W. Renneke, and Allan H. Spear, and Representatives Leo J. Reding and John J. Sarna were appointed as members of the Subcommittee.

The charge of the Chair of the Commission to the Subcommittee was as follows:

The subcommittee on Disability Benefits shall consider the utilization of disability benefits among local police and salaried firefighter relief associations, determine if there is a high disability benefit utilization problem, examine varying interpretations of the term "disability," recommend positive changes that could be made and determine whether or not any legislative remedies exist for the problem.

The Disability Benefit Subcommittee met on eight occasions and took testimony from 34 witnesses representing 15 local police or salaried firefighter relief associations, seven municipalities, one state department and one statewide municipal organization.

The Disability Benefit Subcommittee determined that there was both evidence of, and a public perception of, a high disability benefit utilization problem among some of the local police and salaried firefighter relief associations and that various aspects of this problem were open to legislative solutions, which were:

1. the recomputation of a disability benefit as a service pension when a disabilitant reaches a specified age;
2. the provision of less hazardous duty employment positions for marginally disabled police officers and firefighters;
3. the requirement that there be offsets from disability benefits in the event of the receipt of Workers' Compensation benefits, employer-financed disability benefit insurance coverage or subsequent gainful employment;
4. the establishment of minimum disability benefits for local relief associations providing substantially below average disability benefit coverage; and
5. the provision of service credit toward the calculation of a service pension for any period or periods of the receipt of a permanent disability benefit.

The chief problem which can occur with respect to a disability benefit program is the high utilization of disability benefits. There appears currently to be a public perception that there is a problem of high utilization of disability benefits among some local police and salaried firefighter relief associations.

The public perception of a high disability benefit utilization problem was determined by the Subcommittee to have been supported by a number of items, both local and national:

- News media coverage on disability benefit abuse and reform among public pension plans, including the Spring 1981 series of investigative reports by WCCO Television;
- Prior consideration of the subject by the Legislative Commission on Pensions and Retirement (hearings on August 19, 1977, September 22, 1977, July 28, 1978, September 15, 1978, November 30, 1978, and July 20, 1981);
- Consideration of the subject by the Citizens League in its report on public employee pensions;

- Consideration of the subject by the Minneapolis Mayor’s Pension Task Force;
- National studies, including a report presented to the 1978 Annual Meeting of the National Conference of Public Employee Retirement Systems by Mr. M. Lewis Thompson, Manager-Secretary of the City of Los Angeles Fire and Police Pension System.
- Comparisons of the disability retirement experience for a number of the larger relief associations as reported in the 1976 and 1980 actuarial valuations:

Relief Association	Year	Number of Disabilitants	Number of Service Pensioners	Total Retired	Percentage Disabled Total Retired
Austin Fire	76	0	19	19	0.00%
	80	0	19	19	0.00%
Austin Police	76	0	18	18	0.00%
	80	0	15	15	0.00%
Duluth Fire	76	29	69	98	29.59%
	80	32	61	93	34.41%
Mankato Fire	76	1	18	19	5.26%
	80	1	19	20	5.00%
Mankato Police	76	1	13	14	7.14%
	80	7	14	21	33.33%
Minneapolis Fire	76	139	227	366	37.98%
	80	138	223	361	38.23%
Minneapolis Police	76	21	384	405	5.19%
	80	29	415	444	6.53%
Rochester Fire	76	2	15	17	11.77%
	80	4	28	32	12.50%
Rochester Police	76	1	25	26	3.85%
	80	1	32	33	3.03%
St. Cloud Fire	76	3	8	11	27.27%
	80	4	10	14	28.57%
St. Cloud Police	76	4	13	17	23.53%
	80	5	14	19	26.32%
St. Paul Fire	76	18	130	148	12.16%
	80	21	187	208	10.10%
St. Paul Police	76	5	166	171	2.92%
	80	9	213	222	4.05%

The general practice in most general employee Minnesota public pension funds is to terminate a disability benefit when a disabilitant attains normal retirement age and to replace it with a retirement annuity. However, before 1982, few local police and salaried firefighter relief associations required a change in the status of a disability benefit recipient who attains the minimum age for receipt of a service pension or disallow the application for disability benefits by a person who has already attained the minimum age and met the minimum service requirement for receipt of a service pension. Only two local relief associations, the Crystal Police Relief Association and the St. Paul Police Relief Association, provide for the recomputation of a disability benefit into a service pension when the disability benefit recipient attains the normal retirement age of the fund. For the State Patrol Retirement Fund and for the Public Employees Police and Fire Plan (PERA-P&F), the recomputation occurs when the disability benefit recipient attains the age of 55 years. For the MSRS-Correctional Employees Retirement Plan, the recomputation occurs when the disability benefit recipient attains the age of 62 years.

The recomputation of disability benefits as retirement annuities in the general employee pension funds has traditionally served two functions:

1. Recomputation removes from the disability benefit rolls those individuals who are no longer potentially able to return to active employment because of age and for whom the retirement fund involved should no longer be required to monitor their medical status and reevaluate their continued entitlement to a disability benefit; and
2. Prior to a change in the applicable laws in 1981 (Laws 1981, Chapter 68, Sections 10 to 15 and 21 to 28), disability benefit recipients could only elect an optional annuity, like a joint and survivor optional annuity, if the disability benefit was recomputed or reclassified as a service pension.

In the local police and salaried firefighter relief associations, survivor benefit coverage is provided automatically (not optionally), and only the first function is served by providing for a recomputation of disability benefits. In addition, the practice of recomputing local police and salaried firefighter relief association disability benefits as service pensions will make the statistics on the number of disabilitants in the various Minnesota public pension funds comparable.

Minnesota Statutes, Section 423A.11, recommended by the Disability Benefit Subcommittee, requires that disability benefits paid by local police and salaried firefighter relief associations shall be reclassified or recomputed as service pensions when the disability benefit recipients reach a specified age and attain a specified amount of service credit.

The reclassification or recomputation of a disability benefit as a service pension shall occur either:

- a. at the minimum age for the relief association involved, which is typically age 50, if the disabled police officer or firefighter had at least the amount of service credit for active duty which would entitle the person to a service pension in an amount equal to the amount of the disability benefit; or
- b. at the age attained by the disabled police officer or firefighter when the service credit of the person for active duty and the period of the receipt of a disability benefit equal the amount of service credit which would entitle the person to a service pension in an amount equal to the amount of the disability benefit if the disabled police officer or firefighter had less than that amount of service credit for active duty.

The reclassified or recomputed service pension shall be equal to the amount of the disability benefit without any benefit offsets which was payable immediately prior to the reclassification or recomputation or the service pension otherwise payable based on service credit for active duty, whichever is greater. The recomputed benefit will be subject to any automatic post-retirement adjustments or escalation applicable to the relief association.

Future disability benefit coverage shall be limited to police officers or firefighters who become disabled prior to attaining the age and acquiring sufficient service credit for reclassification or recomputation, and in the event that a police officer or firefighter terminates active service after that point in time because of an injury or an illness, a service pension shall be payable which shall be equal to the amount of the disability benefit which would have paid if the person had been entitled to disability benefit coverage, or the amount of the service pension otherwise payable based on the active service credit of the person, whichever is greater.