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Executive Officer

**A PILOT STUDY OF
CALIFORNIA STATE EMPLOYEE
WORKMEN'S COMPENSATION
AND OTHER WORK-RELATED
DISABILITY BENEFITS**



STATE OF CALIFORNIA

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OF
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AND
OTHER WORK-RELATED DISABILITY BENEFITS

MAY, 1970

Commission on California State Government
Organization and Economy

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

11th & L Building, Suite 550
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NATHAN SHAPELL
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L. H. HALCOMB, JR.
Executive Officer

May 15, 1970

Honorable Ronald Reagan
Governor, State of California

Honorable Jack Schrade
President pro Tempore, and to Members of the Senate

Honorable Bob Monagan
Speaker, and to Members of the Assembly

Gentlemen:

Transmitted herewith is our report setting forth findings and recommendations resulting from the Commission's study of state employee benefits for work-related disabilities as paid through Workmen's Compensation and other disability benefit systems.

This analysis, considered by the Commission as a "pilot study", had as a primary objective the development of sufficient factual data to indicate whether problems exist which are sufficiently important to justify further study and action. Recommendations are made in this report under two general categories. Five recommendations are presented to serve as the basis for immediate action. Two additional areas are recommended for in-depth study with the goal of developing the basis for future action programs. We believe that these findings and recommendations clearly merit proceeding with the action steps as proposed, as well as commencing with the recommended studies.

The study was conducted under the general guidance of a subcommittee comprised of Assemblyman Jack R. Fenton, Howard A. Busby and Walter H. Lohman. Staff work was performed by Samuel M. Roberts, Consultant, under the overall

coordination of the Commission's Executive Officer, L. H. Halcomb, Jr. The assistance and cooperation to the Commission and its staff by the many state agencies consulted have been most helpful in the conduct of the study and preparation of the report. Particularly important have been the data compilations prepared by the State Compensation Insurance Fund and by the Public Employees' Retirement System. These data sources have provided much of the basic factual information required for the study.

Respectfully,

A handwritten signature in cursive script, appearing to read "D. W. Holmes".

D. W. Holmes, Chairman
Harold Furst, Vice-Chairman
State Senator Alfred E. Alquist
Howard A. Busby
Assemblyman Jack R. Fenton
H. Herbert Jackson
James E. Kenney
Andrew L. Leavitt
Walter H. Lohman
State Senator Milton Marks
Assemblyman Patrick D. McGee
Nathan Shapell

HOW STATE AGENCIES MEET THEIR
WORKMEN'S COMPENSATION OBLIGATIONS (Cont.)

- f. Mechanized loss accounting--direct billing of each agency.
- g.* Benefit payments are advanced by the State Fund for subsequent reimbursement by agencies involved.

Safety Services

B. Safety--Loss Management Services

- 1. Regular distribution of safety posters and bulletins.
- 2. Accident Prevention Service Reports.
- 3. Scheduled management-supervisory orientation to large agencies.

Special Services

C. Special Services and Programs

- 1. Claims personnel specializing in state agency claims in districts with large state clientele.
- 2. Participation by State Fund Rehabilitation Officer in Department of Conservation rehabilitation-retraining council.
- 3. Rehabilitation case conference program with the Departments of Corrections and Mental Hygiene.
- 4. Consultation aid in safety programs and in specific loss prevention problems are being provided at the request of an agency.
- 5. Specialized training and operating guidelines for claims personnel:
 - a. Adjustment of State Cases
 - b. Members of California National Guard claims
 - c. Relationship with State (Public) Employees' Retirement System

Services Provided Insured State Agencies

Insured State Agencies Services

The insured status provides for a contractual assumption of the agencies' statutory compensation liability by the State Compensation Insurance Fund at a determinable cost.

* An analysis of a recent 12-month period showed an average monthly outstanding of \$700,000 due the State Compensation Insurance Fund.

HOW STATE AGENCIES MEET THEIR
WORKMEN'S COMPENSATION OBLIGATIONS (Cont.)

Related insurance services include, in addition to those itemized under the preceding "Adjustment Services" Section:

- Regular loss prevention consultation;
- Scheduled safety services;
- Reports prepared under the requirements of the California Inspection Rating Bureau;
- Mechanized premium accounting;
- Payroll Auditing service;
- Dividend participation.

A list of the currently insured state agencies is found in Appendix V.

Basis for Establishing Charges Under Master Service Agreement

EXHIBIT I displays the determinants of the service charge applicable to the State Contract Service.

All data used in EXHIBIT I is derived from the State Fund Accounting Department's books of original entry or semi-annual "Reports for the Insurance Commissioner".

For the purpose of the exhibit, adjustment of some of the data is required. In the source detail, loss payments include unallocated loss expense. Since it is desired to establish a ratio of loss expense to loss payments, unallocated loss expense ① has been extracted from loss payments and added back into the expense side.

Adjustments to the 1968 data are identified as:

- ② Unallocated loss expense is deducted from loss payments, added back into expense.
- ③ Adjustment service charges have been added back into claims expense to give us actual expenses since the service charge is normally applied as a credit against loss expense.

The dollar figure emerging from adjustment 2 and 3 is displayed in the "revised" column as \$9,570,647.93.

- ④ This adjustment excludes expenses not applicable to the State Service Contract.

EXHIBIT II illustrates the tests we have made to determine the ratio of loss expense to loss payment.

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

FINDINGS

1. State Employees or their survivors may receive benefits because of work-related disabilities or death from four state-financed sources-- Workmen's Compensation, salary continuation payments, retirement system, and Federal Social Security.

- Benefits are often paid from more than one source at the same time.
- Certain specified safety and prison custodial employees are granted more liberal benefits than other employees.

2. Total identifiable costs of work disability benefits exceed \$20,230,000 per year or approximately 1.3% of total payroll (1967-68) including:

Workmen's Compensation	\$9,340,000
Salary Continuation (Injury Leaves)	6,850,000
Special retirement system benefits	4,040,000

3. Total Workmen's Compensation costs in a ten-year study period (1957-58 to 1967-68) have increased 253% while the number of employees increased 10% and gross payrolls 182%.

- Total cost and rate of increase per payroll dollar compares favorably with general experience of California employers because of relatively moderate cost levels of universities, colleges, and large state office operations.
- 74% of losses for governmental operations (excluding universities and colleges) occur in five departments and divisions with 47% of governmental employment. Four of these operations--Corrections, Mental Hygiene, Forestry and Highway Patrol--have significantly higher than average cost per employee.
- Particularly adverse cost trends are noted in Departments of Corrections, Employment, Youth Authority, Parks and Recreation, and Justice.

4. State Compensation Insurance Fund (SCIF) administers Workmen's Compensation benefits for the state service. Approximately 80% of losses are paid out through the "self insurance" program. The balance of losses are covered through purchase of insurance policies from SCIF. SCIF service charges for the "self insurance" program are somewhat lower in ratio to benefit payments than the net retentions of the carrier on insured risks. The master service agreement executed in November, 1943 specifically requires SCIF to furnish only claims service and legal defense. However, SCIF has assisted state agencies, primarily on a request basis, with respect to safety and other loss control programs as detailed in Appendix C.

5. A substantial portion of Workmen's Compensation losses involve degenerative diseases and other employee health problems. Analysis of four years incurred losses for disabling injuries showed 14.3% of losses involved heart cases and 31.6% were back cases. Heart cases have the highest average cost which has risen from \$7,000 to \$10,500 per claim in four years. Special "presumptions" concerning compensability of heart cases are provided in the Labor Code for Highway Patrol, Forestry fire-fighters, and certain other safety and prison employees.
6. Federal Employee Compensation Act (F.E.C.A.) benefits are computed at substantially higher rates than under the state system. Federal average costs per disability case are lower and per death case higher than the State. Average cost per governmental employee in the State System is 3.4 times the Federal cost per employee.
 - Federal system is based on different principles than the state system including:
 - Permanent disability benefits are paid only when loss of wages except for specifically scheduled disabilities. Only 22% of state disabling injury costs involve parts of body that are included in the Federal "scheduled" disabilities.
 - Federal benefits and injury presumptions are the same for all occupations. However, higher benefits are paid for employees with dependents than for single employees.
 - Except for medical cost and "scheduled" disability payments, F.E.C.A. benefits are not paid concurrently with other benefits such as disability retirement.
 - Federal service has substantially lower disabling injury frequency rate than the State.
 - The Federal Government uses government medical facilities more extensively than the State.
7. For work-related causes, special industrial disability (50% of salary) and death benefits (50% to 75% of salary) are provided for designated state safety and prison custodial personnel under Public Employees' Retirement System.
 - Average employer cost in excess of normal retirement reserve was \$48,800 for retirements and \$62,600 for death cases (1966-67 cases).
 - Employees retiring on disability also receive any Workmen's Compensation permanent disability benefits for which they are eligible. Such benefit awards totaled \$595,629 on 68 out of 75 industrial disability retirements of 1966-67--average \$8760 per case.
 - The extent to which "work injury" contributes to total disability may be a minor element. 14 out of 75 retirements involved minor permanent disability ratings ranging from 9% to 25%. No rating records could be located with reference to 7 cases.

- Fifty-eight out of 75 state employee industrial disability retirements in 1966-67 involved disabilities such as heart disease, mental conditions, ulcers and back cases. Four out of six industrial death pensions authorized were heart cases.
 - Prior to 1961 industrial disability retirement pensions were reduced when earnings from a gainful occupation plus pension exceeded current position salary. Since repeal of this restriction (still applicable to normal disability retirements) the frequency of such retirements in ratio to system membership eligible has doubled. There are currently more industrial disability retirements being authorized than normal service retirements among employee classifications eligible.
8. There has been little progress made in reducing disabling injury frequency rate for the total state service in the last ten years.
- Possibilities for substantial improvement are indicated by the excellent record achieved by Division of Highways which has had an active safety program during the entire period reviewed. Highway Patrol, Mental Hygiene, and Department of Conservation show generally favorable trends for the past few years; since safety engineering staff services have been provided and safety programs have received more management support.
 - Currently a number of large state organizations, such as University of California, California State College System and Department of Corrections, do not have a full-time safety engineer associated with their central management services. Smaller offices and departments also have not been provided adequate advisory services and other resources necessary to sustain effective safety and other loss control programs.
9. There recently has been announced a "Governor's Program to Reduce Occupational Injuries" (Appendix E-2). The program is comprehensive in scope and soundly conceived. It sets forth policies, organizational responsibilities and goals for an accident prevention and loss control program throughout the state service. The program recognizes the key elements on which good safety records are based. These elements are:
- Continuous top management support and follow-up on results.
 - Direct responsibility and involvement of all levels of supervision.
 - Employee understanding and motivation.

RECOMMENDATIONS FOR CURRENT ACTION

1. The Governor's Program to Reduce Occupational Injuries should be fully implemented. It is particularly important that:
 - The program manager be provided with adequate budget for employee information service requirements and for follow-up on program implementation responsibilities assigned to operating departments and staff agencies.
 - Adequate safety staff services and training aids be provided with priority attention given to needs of offices and departments presently lacking in these resources.
 - Information systems be improved so that accident and loss trends are promptly reported and publicized and so that meaningful analysis can be made of problems and of progress in reaching accident reduction goals.
 - Closer liaison be maintained between state departments and State Compensation Insurance Fund to fully use available advisory services, facilitate claims management, and aid in rehabilitation of injured employees.

2. The State Government through its Health Department, hospitals and university medical schools has the staff talents and other medical resources to develop outstanding programs in all the medical phases of work disability loss control. Particular attention should be given to:
 - The establishing of medical standards to be met by applicants for the many positions involving substantial physical effort for which standards have not yet been defined.
 - Providing a more complete program for pre-employment and periodic medical examinations utilizing state facilities when appropriate. Such examinations, when involving positions subject to "heart presumption" liability under Workmen's Compensation law should include full cardio-vascular evaluation utilizing the most advanced medical techniques.
 - Developing a comprehensive occupational medical program directed to maintaining health of the State's work force and reduction of incident of degenerative diseases which are the basic cause of a substantial portion of Workmen's Compensation and disability retirement expense. In this connection a study team should be assigned to developing a program to reduce incident of heart disease with special attention to employee groups subject to Workmen's Compensation liability presumptions with reference to this health problem.
 - Reviewing possibility of using state facilities more extensively in connection with first medical treatment of job injuries and follow-up on progress of recovery.

3. It is recommended that the "Master Agreement" with the State Compensation Insurance Fund (SCIF) entered into in 1943 be revised. Changes in contract should include:
 - Specific responsibility for SCIF to provide technical advice and assistance in development and administration of safety and other loss control programs.
 - Continuous assignment by SCIF of such full-time personnel to the state service program as may be required to insure full and appropriate utilization of SCIF Resources in loss control efforts and to provide continuous liaison with state staff and operating agencies concerned.
 - Periodic review by SCIF of safety and loss control programs of state agencies and preparation of written reports evaluating the programs and recommending improvements.
 - Provision for periodic advancing of sufficient funds to SCIF to cover benefit disbursement requirements or for establishing some other procedure to eliminate the present time lag in reimbursing SCIF for benefits paid out.

4. It is recommended that the Department of General Services adopt a more specific policy with reference to method of administering its Workmen's Compensation. Most benefits are now handled through the "self insurance" program with lower service charge than the carrier retention expense normally expected if insurance were purchased. In addition, when the liability is insured, the insurance carrier receives substantial interest earnings on open case reserves and premiums held prior to dividend payments. It is specifically recommended that:
 - State agencies review the process of securing authorization for the purchase of any Workmen's Compensation insurance policy. Special justification for such purchases should be clearly established.
 - Detailed studies be made of all major presently insured risks such as University of California to determine desirability of continuing insurance or shifting to self-insurance program.

5. It is recommended that industrial disability retirements be subject to the same earnings limitation provisions as ordinary disability retirements (Government Code Section 21300). Industrial disability retirements prior to 1961 were subject to this limitation. (See Table 10 and Exhibits E-1 and F-3.)

RECOMMENDATIONS FOR LEGISLATIVE STUDY

A primary objective of this pilot study as originally authorized has been to determine whether there are problems with respect to Workmen's Compensation and other state employee disability benefit systems of sufficient importance to justify in-depth study. The data presented in this report indicate two general areas which merit further study by the State Legislature. They are:

1. Possible need for fundamental revisions in Workmen's Compensation provisions applicable to public agencies to eliminate present financial incentives for abuse and to fulfill objectives of the benefit system more effectively.
2. Modifications in disability retirement and death benefits required to coordinate said benefits with other benefits systems, to eliminate any identified abuses, and to facilitate administration.

Workmen's Compensation Studies

Analysis of cost trends and comparison of state system with federal system indicate that current costs are high and yet seriously disabled workers receive very modest benefits. The cost problem is of sufficient magnitude to justify an in-depth study by the State Legislature. In addition to state service incurred losses of nearly \$10,000,000 per year, the losses of local public agencies are believed to total in excess of \$30,000,000 per year.

A substantial portion of the Labor Code is devoted to special sections applicable only to public agencies. A number of responsible private organizations familiar with Workmen's Compensation have recommended that such provisions be replaced by a Workmen's Compensation system specifically designed to meet the special problems of public agency employment.

Circumstances of public employment, including stability of work force and civil service's protection of tenure, raise serious questions as to the logic of the permanent disability compensation payment provisions now applicable. Such payments often amount to "bonuses" for ill health when granted to employees who suffer no loss in wages and when actual "work injury" is a minor element in the basic cause of disability. There appears to be merit in fully considering change to a "wage loss" theory appropriately supplemented with clearly defined schedule of "indemnity" type payments for loss of specific body appendages, sight, hearing, and disfigurement. This well-proven system has been applicable to the federal service since its inception. Such a change has been advocated for several years by several responsible local government organizations. Studies required to fully analyze this matter and to develop specific revision proposals include:

1. Review of statistically valid sample of state and local government disability injury cases of all types to determine:
 - a. Permanent disability payments and reserves for such payments;

- b. Individual employment history to ascertain whether disability caused wage loss;
 - c. A sound basis for estimating cost effects of any modifications to be considered in rating systems and/or payment principles.
2. Compilation of all special Labor Code provisions currently applicable only to public agencies.
 3. Development of specific alternates and modifications to be considered through consultations and interim hearings participated in by parties interested or affected.
 4. Cost analysis of alternative modifications considered significant.

Disability Retirement and Death Benefits

Data presented in this study indicate trends with reference to special industrial disability retirements which are of concern, both from standpoint of cost and possible indication of abuse. The cost problem is of sufficient magnitude to justify interim study. In addition to state service cost over \$4,000,000, city and county agencies which contract with Public Employees' Retirement System have twice as many employees covered under special safety benefits. This means roughly \$8,000,000 per year added cost. The extent of "overlap" and other problems with respect to ordinary disability retirement were not covered in the pilot study.

It is suggested that retirement studies be made concurrently with the previously suggested Workmen's Compensation study; since the benefit systems are directly related and adoption of certain features of the federal system could even eliminate need for the special industrial disability retirement and special industrial death benefits under Public Employees' Retirement System. The scope of the study should include:

1. Analysis of data problems by staff of retirement system and review of present administrative problems.
2. Compilation of data concerning employer contribution rates required for disability retirement and similar special features of the benefit systems as compared with employer costs of normal retirement.
3. Individual case analysis and costing with sufficient sample to provide basis for identifying problems and estimating cost changes from modifications which may be considered.
4. Comparison of California disability benefits and controls with other major jurisdictions as a means of identifying alternates for consideration.

5. Preparation of modification suggestions and cost analysis as required.
6. Consultations and interim hearings to obtain proposals for consideration and views of interested parties.

**BACKGROUND ON CALIFORNIA STATE EMPLOYEE BENEFITS
FOR WORK-RELATED DEATH OR DISABILITY**

California state employees (or their dependents) who suffer illness, injury, or death "arising out of and in the course of" state employment may receive benefits from four state-financed benefit sources. These may include:

- (1) Workmen's compensation,
- (2) Salary continuation payments,
- (3) The Public Employees' Retirement System (or other applicable special retirement system), and
- (4) Federal Old Age and Survivors Insurance.

Benefits from all four sources are correlated under topic headings in Exhibit A of the Appendix. As detailed in Exhibit A, certain benefits may be provided concurrently from more than one benefit source. Several designated classifications of employees, such as California Highway Patrol, receive special benefit considerations. Disability and death benefits from Federal Old Age and Survivors Insurance (O.A.S.I.) and from the various retirement systems are also provided in some cases on the same basis for non-job related illnesses and disabilities.

WORKMEN'S COMPENSATION

Workmen's Compensation is the oldest of all social benefit systems. Legislation on Workmen's Compensation in California was first enacted in 1911. In 1917, the Constitution was amended to its present form, and the Workmen's Compensation Insurance and Safety Act was enacted. This act is the basis for current sections of the Labor Code dealing with the subject of Workmen's Compensation. The basic purpose of the law is to provide protection for all employees incurring job injuries, for medical expenses, and for loss of earnings without the delays involved in adjudication through the courts. Workmen's Compensation provisions of the Labor Code are applicable to all public agencies as well as to private employers. However, the Labor Code does contain a substantial number of special provisions relating only to

state employees and certain special categories of local government workers. Appendix Exhibit B summarizes the various special provisions relating only to state employees along with code number references and dates of enactment.

The law provides five types of benefits which are generally applicable to public and private employers:

- Payment of all medical expenses.
- Temporary disability benefits--for a maximum of 240 weeks, computed on the basis of 61.75% of salary with maximum payment of \$87.50 per week, seven-day waiting period unless hospitalized or absent from work in excess of 49 days.
- Permanent disability benefits--four weeks of disability payment for each one percent of permanent disability rating--maximum allowable \$52.50 per week--disabilities rated at 70 percent or more include provision for lifetime pension with maximum ranging from \$12.12 to \$48.46 per week, depending on extent of disability rating.
- Death benefits for widows and dependents--\$20,000; widow with minor child--\$23,000.
- Burial expenses--\$1,000.

Special benefit provisions in the Labor Code applicable to certain state employees are detailed in Appendix Exhibit B. The most important special provisions are:

- In lieu of Workmen's Compensation temporary disability payments, full salary for up to one year on work injury leaves is required to be paid to law enforcement employees of California Highway Patrol, Bureau of Narcotics, and Bureau of Criminal Investigation and Identification.
- In lieu of Workmen's Compensation death benefits, widows and dependents of certain specified safety, forestry and prison employees receive "special industrial death benefits" provided by the Public Employees' Retirement System.

Administration of Benefits

Workmen's Compensation benefits for state employees are administered by the State Compensation Insurance Fund through a "claims adjustment service" or, at the election of some agencies, through a transfer of their liability by purchase of a Workmen's Compensation insurance policy from the State Fund. Appendix Exhibit C prepared by the State Fund summarizes the claims adjustment and other services performed by the Fund under the master service agreement and under the compensation insurance policies.

In the event of controversy over eligibility for or amount of benefits, either an employee or an employer can seek a determination of the dispute by the Workmen's Compensation Appeals Board (WCAB). Cases are heard by referees, and may be appealed to the board for final determination with judicial review on questions of law.

General Trends in Workmen's Compensation

Costs of Workmen's Compensation to all California employers increased sharply over the last 15 years. This has occurred despite the fact that work-related accidents and death rates have remained relatively stable. The rising cost has resulted from the following developments:

(a) Increase in medical costs

Because of increases in medical costs, the medical fee schedule applicable to Workmen's Compensation cases as established from time to time by the Division of Industrial Accidents has been increased six times in the past 15 years: the most recent was in 1969. Further increases can be expected in keeping with the continued rise of all types of medical service costs. This trend will, of course, continue to increase Workmen's Compensation costs.

(b) Increase in maximum benefit levels

Maximum benefits for temporary and permanent disabilities have been increased four times and two times, respectively, since 1957: the last change was made effective January 1, 1969. The present maximums are \$87.50/week for temporary disability and \$52.50/week for permanent disability. Benefits are computed up to the maximum on the basis of 61.75 percent of weekly salary. Since disability benefits are related to average weekly wages, further increases by the State Legislature in maximum weekly payments are to be expected from time to time as average wage levels rise. Death benefits for widows and dependents have increased three times since 1957; the last change was effective in 1969.

(c) Growth in permanent partial disability

From 1953 to 1962, the number of permanent partial disability claims increased by 123%, while the total work force in California increased by only 41%. Incurred losses for permanent partial disability cases increased 200% during the same period.^{1/} The larger increase in incurred losses than in the increase in claims is disproportionate to the change in benefit levels during the same period.

Most authorities on compensation agree that this disproportionate increase in the number of permanent partial disability claims is the result of increased litigation and a more liberal interpretation of medical conditions and diseases construed to be within the scope of the Compensation Act.

^{1/} Report of Workmen's Compensation Study Commission, April 1965.

(d) Trends in litigation

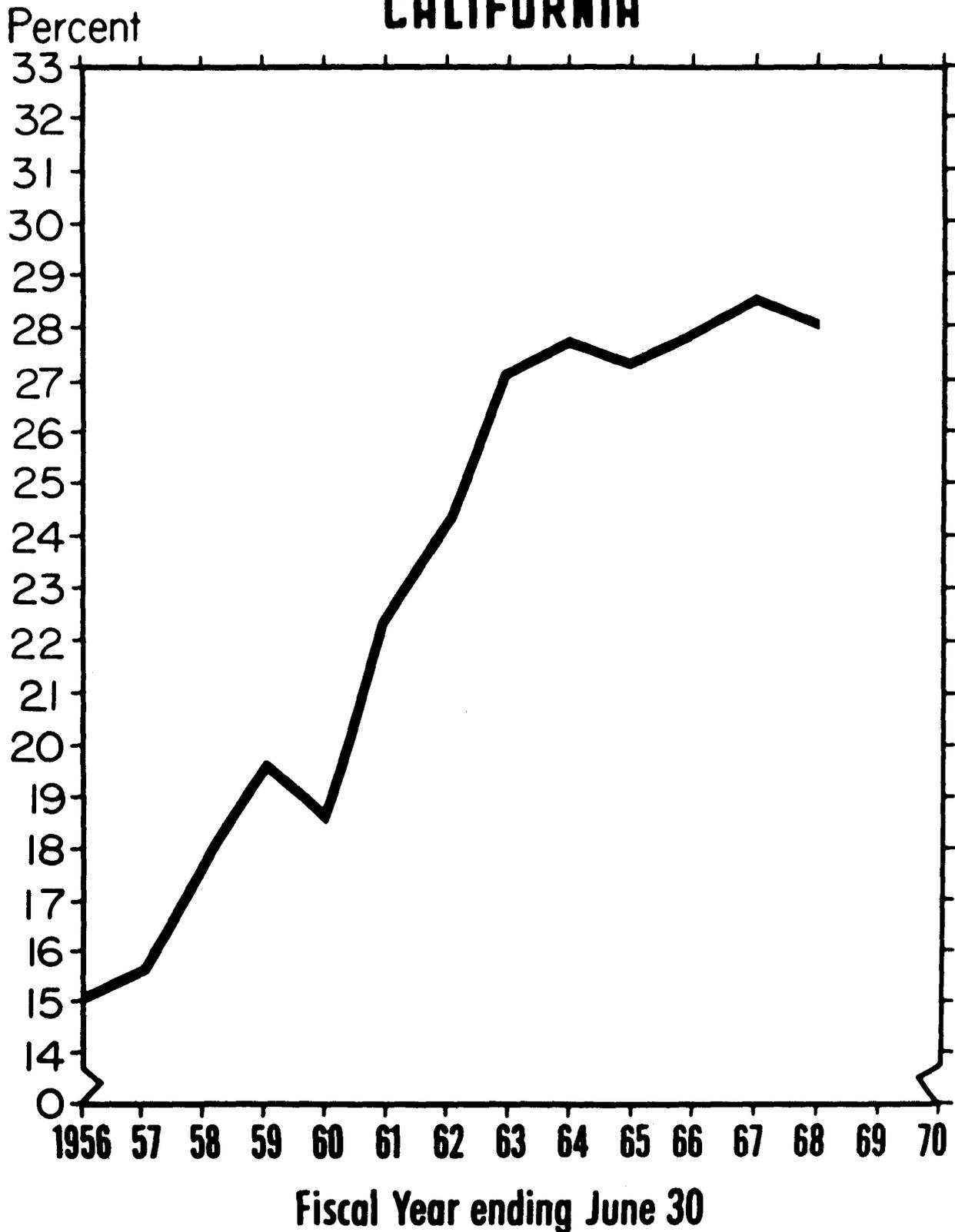
From 1956 to 1963, the number of applications for hearings filed with the WCAB as a percentage of the number of lost-time accidents increased from 15% to 28%, or almost doubling in the rate of filing. Since 1963, the filing rate has been relatively stable at 27 to 28½%. (See Chart 1.) The great majority of these filings result in a "findings and award" or in a "compromise and release settlement" to the injured employee or dependents.

(e) Broadening interpretation of work-related injuries

The Workmen's Compensation Law does not strictly define the cause of an injury or disease. Generally, all injuries or diseases "arising out of and in the course of" employment are compensable, with the determination of employment cause of disability left to administrative and judicial interpretation. More liberal decisions of the courts, referees, and the WCAB on the employment causes of disabling medical conditions have been an important contributing factor in rising compensation costs. Charts 2 and 3 show the trend of heart disease and back cases from 1956 to 1967 for all California employers. It is noted that heart and back injury cases increased approximately 300% during the ten-year period. It is often difficult to determine whether employment is a significant cause in either of these two conditions.

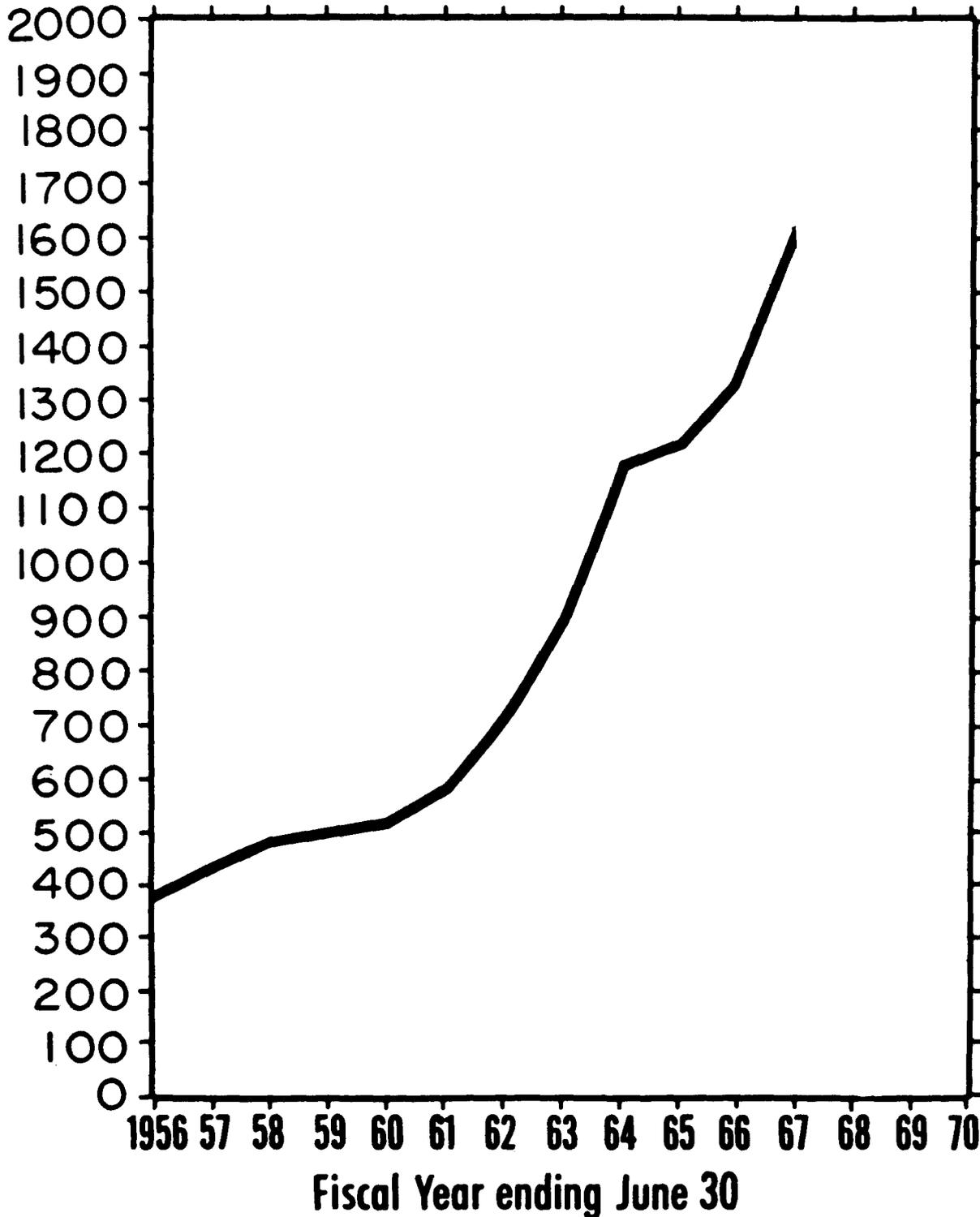
As shown on Appendix Exhibit B, the Labor Code has specifically defined heart disease and certain other conditions as presumptive, (i.e., presume to be work-related) for California Highway Patrol, fire fighting personnel of Division of Forestry, and a substantial number of other prison and safety personnel. Such conditions are therefore considered to be compensable, unless the State as the employer can clearly prove otherwise.

ORIGINAL NEW FILINGS AS PERCENT OF DISABLING WORK INJURIES CALIFORNIA



ORIGINAL DECISIONS INVOLVING HEART DISEASE INJURIES CALIFORNIA

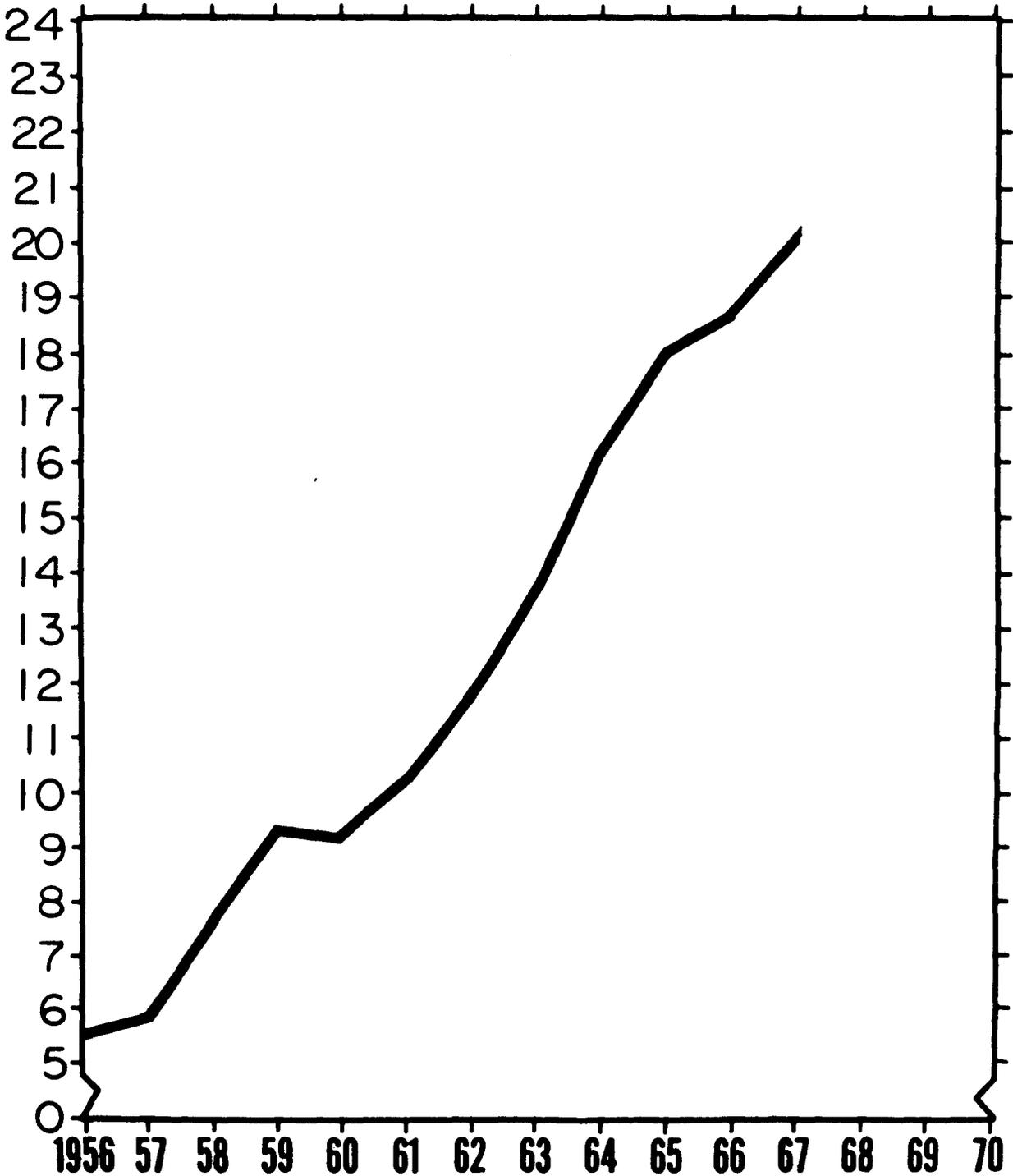
Annual
Total



ORIGINAL DECISIONS INVOLVING BACK INJURIES

ANNUAL TOTAL
THOUSANDS

CALIFORNIA



Fiscal Year ending June 30

SALARY CONTINUATION BENEFITS

Since 1935, enforcement personnel of the California Highway Patrol, in accordance with provisions of the Labor Code, receive full salary for up to one year in lieu of the lesser Workmen's Compensation temporary disability benefit. If the disability continues beyond one year, these employees receive the normal temporary disability payment from \$87.50 per week maximum rate. In 1969, the same full salary in lieu of Workmen's Compensation benefit was extended to enforcement officers of the Bureau of Narcotics and of the Bureau of Criminal Identification and Investigation.

General employees of the State are authorized to supplement temporary disability payments under Workmen's Compensation by use of accumulated sick leave or vacation leave or overtime credits to the extent necessary to bring total payments to equal full normal salary.

Since Workmen's Compensation benefits and sick leave benefits are subject to certain income tax exclusions, employees who are absent on temporary disabilities in connection with work injuries often receive more net take-home pay than they would receive if they were working.

RETIREMENT SYSTEM DISABILITY AND DEATH BENEFITS

All state employees are covered under some type of retirement system providing benefits in the event of disability retirement and providing death benefits. The two major retirement systems are the Public Employees' Retirement System, covering general employees, safety employees, and a substantial number of non-academic personnel of the University of California, and the University of California Retirement System. Members of the Legislature are covered under the Legislators' Retirement System, and judges under the Judges' Retirement System.

Except for California Highway Patrol and Forestry safety personnel, employees who have entered state employment after December 31, 1961 and are covered under Public Employees' Retirement System are also covered under Federal Old Age and Survivors Insurance. O.A.S.I. also provides certain disability and death benefits. Members of the University of California Retirement System, Legislators' Retirement System, and Judges' Retirement System are not covered under O.A.S.I.

The various disability retirement benefits and death benefits are summarized on Exhibit A of the Appendix. It is significant to note that:

- (1) Certain specified state safety employees are entitled to special industrial disability retirement benefits (50% of salary) which are more generous than disability retirement not related to job injuries (usually one-third salary). All other employees

receive the same disability retirement allowance regardless of cause of disability. Employees entitled to special industrial disability benefits are:

	<u>Since</u>
California Highway Patrol	1945
Fish and Game Wardens	1945
Forestry Firefighter	1947
Enforcement Officers--Narcotics	1951
Corrections Employees with Prisoner Custody Duties	1961
Enforcement Officers--Bureau of Criminal Identification and Investigation	1951
San Francisco Port--Harbor Police	1967
Permanent State Lifeguards	1968
Enforcement--State Police	1969

- (2) Special industrial death benefits are also granted to dependent survivors of specified safety and prison employees (including those named above and certain other appointees designated in Appendix B). The special benefit is granted in lieu of Workmen's Compensation death benefits or normal retirement death benefits. Payment rate is 50% of salary to widow and/or dependent children. If death caused by external violence, added benefits for widow and three children will raise total to 75% of salary.

STATE OF CALIFORNIA EMPLOYEE WORK DISABILITY BENEFITS
COMPARED WITH FEDERAL EMPLOYEE BENEFITS

In this section and supporting Appendix Exhibit A, comparisons are made between Federal and State of California benefits granted to employees incurring work disabilities or injuries. As a major objective of this study, particular attention has been focused on comparison of the State Workmen's Compensation Benefits System with the Federal Employees Compensation Act benefits. Costs of the two markedly different systems are compared. Comments are made on differences in the payment rates, coverage principles and administrative structure of the two systems.

It is apparent, particularly with reference to State of California practice, that many added compensations for work disabilities or industrial death are provided through retirement systems and the Federal Old Age and Survivors Insurance coverage. Disability and death benefits provided through the latter systems, therefore, have been summarized on Appendix Exhibit A in such a manner as to show the concurrent relationship of the various benefits provided, often simultaneously from all sources. In most circumstances under the Federal system, Civil Service Retirement Disability and Death Benefits are offered only as an alternate to Federal Employee Compensation Act benefits. These alternate benefits have also been summarized under the same topic headings to facilitate comparison with the State of California Benefit Systems.

COMPARISON HIGHLIGHTS

1. Federal Employee Compensation Act (F.E.C.A.) benefits are computed at substantially higher rates than California Workmen's Compensation (W.C.) Benefits. Under federal law, compensation is based on 2/3 salary with no dependents and 3/4 with dependents. Maximum compensation is tied automatically to 3/4 of top step of salary classification GS-15. Current Federal maximum is \$21,048 per year (\$404.77 per week). Under California law, dependency is not a factor in computation of weekly benefits. The computations are based on 61.75% of actual wage with relatively low maximums presently fixed by the Legislature at \$87.50/week for temporary disabilities and \$52.50/week on permanent disability awards.
2. Compensation payments for permanent disabilities under federal law are generally made only when there is actual loss of wages due to the disability. The only exception to the "wage loss" principle is indemnity payments made for a limited number of "scheduled" disabilities involving loss of use of specific body members. These include only arms, legs and their appendages; hearing, sight, and facial disfigurement. Payments are made under California law on the basis of rating all types of disabilities in terms of theoretical impairment of employability. Under the

California theory, therefore, indemnity payments are made even if there is no loss of wage, and, in case of retirement, are added to retirement benefits.

3. Under the federal system, substantial use is made of federal medical facilities for treatment of injured employees. Approved private doctors and medical facilities are utilized under a closed panel system where federal facilities are not available. Under the California system, use of closed medical panels are optional depending upon agency policy, and state facilities are utilized only to the extent of some first injury treatment.
4. Federal Employee Compensation Act benefits are fully administered by the Bureau of Employment Compensation including claims management, disability determinations, and hearings. Final appeals may be made to the employee's Compensation Appeals Board. Under the California system, claims management is handled by contract or insurance through the State Compensation Insurance Fund. An independent body, the Workmen's Compensation Appeals Board, conducts all original pleadings and hearings concerning benefit disputes.
5. Under the California system, added compensations for work disabilities or industrial death are provided through salary continuation practices, retirement system, and Old Age and Survivors Insurance coverage. Under the Federal system, with the exception of "scheduled disabilities", benefits from the retirement system are offered only as an alternative to F.E.C.A. benefits.
6. A substantial number of state safety and prison employees are specifically granted more liberal benefits than other state employees under both Workmen's Compensation and retirement systems. Also, as detailed on Exhibit B, special "presumptions" concerning compensability of heart and certain other disabilities are granted to specially designated state employee classifications. Federal benefit systems are uniformly applicable to all civilian employees.

COST COMPARISONS

Table 1 below compares average cost per employee of F.E.C.A. benefits with Workmen's Compensation benefit costs for California state employees. It is noted that the per capita cost average for the state total is approximately 2.6 times as high as for federal agencies. If employment and incurred losses of colleges and universities are excluded, the State average is 3.4 times as high as the overall federal average. Comparisons are also shown on Table 1 for five selected federal agencies which might be deemed to have reasonably similar work hazards to the similar type of state agencies shown. It is noted that state agencies' costs range from 36% to 295% higher than reasonably comparable federal agencies.

Table 1

COST PER EMPLOYEE OF F.E.C.A. BENEFITS
 COMPARED WITH STATE EMPLOYEES' WORKMEN'S COMPENSATION BENEFITS

<u>Federal (1968)</u>		<u>State (1967-68)</u>	
<u>Agency</u>	<u>Cost Per Employee</u>	<u>Agency</u>	<u>Cost Per Employee</u>
All agencies	\$18.88	All agencies	\$49.24
		State (excluding colleges and universities)	63.91
Internal Revenue	8.02	Motor Vehicles Department	16.58
Bureau of Reclamation	26.56	Water Resources	47.71
Forest Service	33.14	Division of Forestry	130.45
Department of Agriculture (excluding Forest service)	21.01	Department of Agriculture	47.08
Bureau of Prisons	46.60	Department of Corrections	91.12
General Services	25.14	General Services Department	34.16

Table 2 below shows a comparison of the average cost of non-fatal disabling injuries for a four-year period. The two columns show a comparison of federal cost with similar average cost for uninsured state agencies. It is noted that, for the year 1967, the state average case cost was almost double the federal average. In terms of trend, federal costs have been rising substantially during the period whereas the state costs have been relatively stable. In addition to data shown on the table, it is interesting to note that the average cost for fatal injury cases for the years 1968 and 1967 under the Federal system was \$80,561 and \$76,218 respectively for American nationals. State-wide average for fatal injuries under California Workmen's Compensation law is reported by SCIF as \$16,553. The markedly higher federal fatal injury cost is attributable to the generous provision made for continuing annuity to survivors whereas under the State system there is a fixed maximum benefit level of \$20,000 for one dependent and \$23,000 for more than one dependent.

Table 2

COMPARISON OF AVERAGE COST OF NON-FATAL DISABLING INJURY --
FEDERAL VS. STATE

	<u>Federal</u>	<u>State</u> <u>(Uninsured Agencies)</u>
1964	\$590	\$1450
1965	650	1480
1966	738	1450
1967	763	1491

REASONS FOR COST DIFFERENTIAL

As shown by data presented in previous sections, the Federal Employee Compensation Act System has substantially lower cost experience than the California Workmen's Compensation System as applied to state employees. This is in apparent contradiction to the fact that federal computation factors and maximum payment rates for temporary and permanent disabilities are substantially higher. When the differences in the benefit systems are analyzed, however, there appear to be logical explanations for the cost differential. The significant factors include:

- (1) Under the Federal system, no permanent disability payments are made for the many expensive types of disabilities involving backs and internal organs unless there is actual loss of wages. During the year 1967-68, over 78.7% of state disabling injury incurred losses involved parts of the body which would not result in Permanent Disability Compensation benefits under the federal system unless there was wage loss resulting from the disability. A substantial part of state costs for these types of cases undoubtedly involve permanent disability benefits paid to employees who returned to work in their former jobs without experiencing any loss of wages. It is believed that this is a major factor in accounting for the lower average cost of disabling injury cases under the federal system as compared with the state system.
- (2) The disabling injury frequency rate for federal service is substantially lower than the injury rate for state service (excluding colleges and universities). The Federal frequency rate for the calendar year 1968, computed in terms of number of disabling injuries per million man hours worked, was 6.9. For the State service (excluding colleges and universities), the frequency rate for 1967-68 fiscal year was 18.39.

- (3) Under the state system, a substantial number of safety and correctional employees are granted a special presumption that heart conditions are deemed to be occupational injuries. As shown in the next section, heart cases have a high average cost. It is believed that these cases are much more frequently compensated under the state system than in the federal service because of the special presumption.
- (4) Under the Federal system, substantial use is made of government facilities for medical treatment. Charges made for such in-house treatment probably do not reflect the full cost involved. Military hospitals, for example, are permitted to send in an annual voucher charge certifying that so many clinic visits were provided without itemization by name. Charges for such visits range from 50¢ to \$1.00. Under the California system, medical expenses constitute approximately 35% of total Workmen's Compensation expense.
- (5) Some seriously industrially injured employees under the Federal system choose disability retirement benefits instead of Federal Compensation System benefits. The employee is not permitted to receive benefits simultaneously under both systems as is the case in California service.

CALIFORNIA STATE WORK DISABILITY COSTS
AND LOSS CONTROL PROGRAMS

As pointed out in previous sections, California state employees receive benefits for work disabilities from a number of sources in addition to Workmen's Compensation. In this chapter the various benefit costs are analyzed and present management programs to control losses are briefly reviewed. Section A summarizes total work disability costs from the combination of benefit sources to the extent that the expense can be specifically identified for a fiscal year. Section B analyzes in detail Workmen's Compensation cost and loss trends of the past ten years. Section C estimates other work disability costs such as salary payments on injury leaves and the expense of retirement systems' special industrial disability and industrial death benefits. Section D briefly reviews the State's safety record and other loss control programs.

A. TOTAL WORK DISABILITY EXPENSE

Table 3 below summarizes a substantial portion of the State's work disability expense, utilizing data from the most recent complete year available. Complete data is presented for Workmen's Compensation expense of all state agencies including colleges and universities based on the year 1967-68. For the same year, salary continuation costs are shown for operations other than University of California. The salary continuation benefits include sick and vacation leave utilized to supplement Workmen's Compensation payments for temporary work disabilities as well as full salary paid in lieu of Workmen's Compensation to State Highway Patrol, state lifeguard service, and certain enforcement personnel of the Justice Department. Data are also shown for cost of funding special industrial disability retirements and special industrial death benefits which are granted to certain safety personnel covered under the Public Employees' Retirement System. Separate data could not be obtained on retirement system death and disability benefit costs paid to miscellaneous employees where the disability is caused by job injuries. The same benefits are paid to work disability cases as are paid for non-industrially caused cases. The specifically identified cost of \$20,229,000 probably would be increased by several million dollars of additional expense if costs of early disability retirements caused primarily by work injuries to miscellaneous employees could be identified and if additions were made for injury leave supplements to Workmen's Compensation benefits granted to university employees.

Table 3

TOTAL ANNUAL COST OF
CALIFORNIA STATE EMPLOYEE WORK DISABILITIES
BASED ON 1967-68

Workmen's Compensation Under Service Agreement (Incurred Losses plus Service Fee)	\$ 7,526,553
Insured (Premium Less Dividends)	<u>1,813,542</u>
Sub-total	\$ 9,340,095
Salary Continuation Benefits (Excluding University of California)	6,851,760
Special Industrial Disability and Death Benefits (Employer Reserves required in excess of amount for normal retirement and death benefits)	4,037,638 _____
Total - Identified Cost	<u><u>\$20,229,493</u></u>

B. WORKMEN'S COMPENSATION COST AND LOSS TRENDS

Workmen's Compensation benefits for most state employees involved in governmental operations and for all California State College system personnel are administered by the State Compensation Insurance Fund (SCIF) under a master service agreement. Benefits are initially paid by SCIF with cost (plus service charge) reimbursed through invoices billed to the various employing departments. Under this program, charges to any given fiscal year budget include payments on liabilities arising from accident cases occurring in many prior periods as well as actual cash disbursements required on current claims. Since liabilities under this program are not insured, it has been commonly referred to as the "self-insurance" program. SCIF estimates the total probable liabilities for each accident case and provides full statistical data on "incurred" losses. These data have been utilized in this study in order to make meaningful cost comparisons and determinations of loss trends for both insured and "self-insured" operations.

Benefits for employees of University of California, Departments of Water Resources and Motor Vehicles, and several smaller offices are provided through Workmen's Compensation insurance policies purchased from SCIF. Insurance coverage is also purchased to cover a number of state revolving fund or "proprietary" types of operations. Current insurance policies are listed in Appendix Exhibit D along with the history of policy costs on major policies and for combined data on all insured risks of the State.

Total Workmen's Compensation Costs

Table 4 shows the combined total cost of workmen's compensation for all state services including colleges and universities under both "self-insurance" and insured programs. Column headed "payment basis" includes net insurance expense (premium less dividends) and cash payments (benefits plus service charge) for each fiscal year under the self-insurance program. The column headed "incurred basis" shows "incurred" liabilities of each year including service charge under the self-insurance program plus net insurance expense. It is noted that total state costs increased 253% to 254% in the ten-year period. During the same period, the number of state employees increased approximately 107% and gross payrolls increased by 182%.

Table 4

CALIFORNIA STATE WORKMEN'S COMPENSATION COST
(1957-58 and 1964-65 to 1967-68)

<u>Year</u>	<u>Payment Basis</u>	<u>Incurred Basis</u>
1957-58	\$2,383,134	\$2,644,921
1964-65	5,854,435	7,565,998
1965-66	6,410,902	7,905,188
1966-67	7,935,195	9,114,248
1967-68	8,447,229	9,340,095
Ten Year Increase	6,064,095	6,695,174
% Increase	254%	253%

Workmen's Compensation Administrative Expense

Table 5 summarizes the cost to the State of administration of workmen's compensation benefits by State Compensation Insurance Fund under both the self-insured and insured programs. In order to compare the administrative cost of the two types of programs, a computation is shown of the net insurance retentions as compared with incurred losses under the insurance program. The amount retained by the insurance carrier is computed on the basis of gross premium less dividends less incurred loss estimate. If the average retention percentage of 16.6% for the four-year period is further adjusted in consideration of the fact that State Compensation Insurance Fund pays a gross premium tax to the State of California of 2.35%, the net retention figure would be 12.8%. It is further noted that the insurance retention for the four years shown was substantially reduced by the fact that there was very adverse loss experience on policies of Department of Water Resources and

University of California for the years 1967-68 and 1966-67. Based on long-term normal premium/incurred loss ratios and cost experience of the State Fund, it would be expected that carrier retentions would be approximately 22.7 to 24.7% of incurred losses.

Service agreement charges on the self-insurance program are based on 12½% of benefits paid for all departments except California Highway Patrol. California Highway Patrol service charge is based on 35% of medical payments only. The overall average of 12.7% service charge in ratio to benefits paid for the four years shown appropriately might be further adjusted by considering the fact that the State Fund is carrying currently unreimbursed payments in the neighborhood of \$700,000. At the current yield on investments of short-term funds, this lag in reimbursement may be estimated to currently cost the State Fund approximately \$45,000 per year. With the latter adjustment, the effective service charge rate might be estimated to be 12.1% of benefit payments. According to the recent check made by the State Insurance Officer, it would cost between 7 and 12% of losses to purchase claims adjusting service from a private firm.

Table 5

ADMINISTRATIVE EXPENSE CHARGES PAID BY STATE
TO STATE COMPENSATION INSURANCE FUND

	<u>Insurance Retention</u>	<u>Service Agreement Charges</u>	<u>Total</u>
1957-58	\$ 24,194	\$ 232,781	\$ 256,975
1964-65	357,306	537,750	895,056
1965-66	187,543	569,873	757,416
1966-67	369,114	716,468	1,085,582
1967-68	- 116,171	768,505	652,334
1968-69	N.A.	856,793	N.A.
% of Benefits (4 year average-- 1964-65 to 1967-68)	16.6%	12.7%	

Incurring Loss Trends

Table 6 below shows a ten-year comparison of total state incurred losses and injuries reported. Comparison also is made of incurred losses per hundred dollars payroll, per man year of employment, and average cost per injury reported. Marked percentages of increase are shown with reference to all analysis factors. However, it is of interest to note that incurred losses

per hundred dollars of payroll of \$0.41 in 1957-58 were lower than a similar benefit/payroll ratio of \$0.679 reported by Workmen's Compensation Study Commission for the 1957 policy year on a combination of all private and public insured risks. The latter ratio had risen by 45% to \$0.984 in only five years to 1962 when the Commission statistic series ends. The latter increase compares with a ten-year rise of 44% in state loss ratio per hundred dollars payroll. The apparently favorable state overall cost/payroll ratio is attributable to the typically lower loss levels and accident rates of colleges, universities, and large state office operations.

Table 6

TEN-YEAR COMPARISON OF CALIFORNIA STATE
WORKMEN'S COMPENSATION INJURIES REPORTED
AND INCURRED LOSSES

	<u>1957-58</u>	<u>1967-68</u>	<u>% Increase</u>
Injuries Reported	11,289	16,673	48%
Incurred Losses			
Uninsured	\$2,250,607	\$7,526,553	
Insured	<u>370,120</u>	<u>1,929,713</u>	
Total	\$2,620,727	\$9,456,266	261%
Incurred Losses Per:			
\$100 Payroll	\$ 0.41	\$ 0.59	44%
Employee	21.38	49.24	130%
Injury Reported	233.00	567.00	143%

Losses by Departments and Agencies

Table 7 provides a ten-year comparison of losses and reported injuries for state colleges and universities. If losses are analyzed per hundred dollars payroll and per employee, state college system losses, while rising more rapidly than University of California, are still at comparatively lower levels on all indexes.

Table 7

WORKMEN'S COMPENSATION INCURRED LOSSES AND REPORTED INJURIES
--UNIVERSITIES AND COLLEGES (1957-58 AND 1967-68)

	<u>1957-58</u>	<u>1967-68</u>	<u>% Increase</u>
<u>Injuries Reported</u>			
University of California	2,055	3,407	66
State Colleges	<u>285</u>	<u>1,094</u>	<u>284</u>
Total	2,340	4,501	92
<u>Incurring Losses</u>			
University of California	\$311,242	\$1,321,005	324
State Colleges	<u>55,238</u>	<u>401,642</u>	<u>629</u>
Total	\$366,480	\$1,722,647	572
<u>State Colleges Incurred Losses</u>			
per \$100 Payroll	\$ 0.14	\$ 0.21	50
per Employee	8.60	20.13	134
per Injury Report	194.00	367.00	89
<u>University of California Incurred Losses</u>			
per \$100 Payroll	\$ 0.23	\$ 0.28	22
per Employee	13.65	25.90	90
per Injury Reported	152.00	382.00	151

Table 8 analyzes the Workmen's Compensation losses for the State's governmental operations excluding colleges and universities. Ten-year comparisons between fiscal years 1957-58 and 1967-68 are shown for incurred losses per hundred dollars payroll, per employee, and per injury reported. Details concerning claims filed and incurred losses on which the indexes have been computed are

shown on detailed Table F-1 of the Appendix. Separate indexes are also shown on Table 8 for the five major agencies and departments which account for over 74% of incurred losses for governmental services.

It is noted that four of the five high loss agencies--Departments of Corrections, Mental Hygiene, Highway Patrol and Division of Forestry--show high incurred losses with reference to all measurement indexes. The California Highway Patrol shows the highest losses per hundred dollars of payroll and per man year of employment. The Department of Corrections shows the most adverse trend in cost in the ten-year period. Appendix Detail Table F-1 also indicates particularly adverse loss trends in several smaller departments and offices such as Department of Justice.

Table 8

ANALYSIS OF INCURRED LOSSES--GOVERNMENTAL SERVICES
(1957-58 COMPARED WITH 1968-69)

	<u>1957-58</u>	<u>1967-68</u>	<u>% Increase</u>
<u>All Governmental Service</u>			
(Excluding Colleges and Universities)			
per \$100 Payroll	\$ 0.55	\$ 0.82	49%
per Employee	24.14	63.91	165%
per Injury Reported	251.00	635.00	153%
<u>High Loss Agencies</u>			
Corrections			
per \$100 Payroll	\$ 0.13	\$ 1.016	682%
per Employee	7.35	90.71	1,134%
per Injury Reported	148.00	1,645.00	1,011%
Mental Hygiene			
per \$100 Payroll	1.15	1.47	28%
per Employee	49.90	114.49	130%
per Injury Reported	265.00	724.00	173%
Forestry			
per \$100 Payroll	1.36	1.64	21%
per Employee	67.55	130.46	93%
per Injury Reported	127.00	347.00	173%
California Highway Patrol			
per \$100 Payroll	1.73	2.74	64%
per Employee	100.50	225.26	124%
per Injury Reported	348.00	1,113.00	220%
Public Works--Div. of Highways			
per \$100 Payroll	0.33	.54	64%
per Employee	32.70	58.60	64%
per Injury Reported	296.00	507.00	71%

Losses by Type of Disability Case

In the background discussion on pages 11 and 12, attention was directed to the fact that there have been generally increasingly liberal decisions of courts, referees, and the WCAB concerning the employment causes of disabling conditions which have tended to increase costs of Workmen's Compensation to all employers. It was also noted that special provisions of the Labor Code define heart disease and certain other conditions as presumptive (i.e., presumed to be work-related) for California Highway Patrol, fire fighting personnel of Division of Forestry, and a number of other prison and safety personnel classifications. Utilizing its computer facilities, the State Compensation Insurance Fund made a series of special analyses of loss payments and reserves for both insured and self-insured cases for a four-year period from fiscal year 1964-65 to 1967-68. Total incurred losses from disabling injuries causing loss of time of one or more days beyond day of injury for the period were \$29,700,000 and involved a total of 17,000 claims. The highlights of this study are summarized in detailed tables F-2 and F-3 of the Appendix. It is particularly significant to note that:

- (1) Disabling injuries accounted for approximately 98% of total incurred losses for the four-year period from both insured and self-insured programs.
- (2) Heart cases accounted for 14.3% of losses and back cases for 31.6% of losses.
- (3) The average cost for heart cases for the four-year period based on number of claims filed was \$8,400. This cost had risen from slightly over \$7,000 to \$10,500 per claim in the four-year period of time. Average costs per claim on back cases were also significantly higher than for other injuries.
- (4) Approximately 79% of total disabling injury losses involved parts of the body which would not result in permanent disability payments under the federal system unless actual wage loss or loss in earning capacity had occurred.

C. OTHER WORK-RELATED DISABILITY COSTS

In addition to Workmen's Compensation expense, the State has other **significant** costs associated with work-related disabilities. No attempt has been made to estimate the many indirect costs of industrial injuries which are substantial. It is also not possible to identify as a separate cost the portion of Federal Old Age and Security coverage expense which can be attributed to the disability benefit provisions of federal law for which some 75% of state miscellaneous employees are eligible. Added expense which can be estimated with reasonable accuracy includes:

- (1) Salary continuation benefits paid to employees in addition to or in lieu of the usual Workmen's Compensation temporary weekly disability benefits.

- (2) Special industrial disability retirement or industrial death benefits provided under the Public Employees' Retirement System.

Salary Continuation Benefits

Under Labor Code Section 4800, in lieu of Workmen's Compensation temporary disability payments, full salary for up to one year on work injury leaves is required to be paid to law enforcement employees of the Highway Patrol, Bureau of Narcotic Enforcement, and Bureau of Criminal Identification and Investigation. Other state employees are authorized to supplement temporary disability payments by use of accumulated sick or vacation leave or overtime credits to the extent necessary to bring total payments to equal full normal salary. The total cost of these wage continuation benefits are estimated by the Personnel Board to be \$6,851,760 for the year 1967-68. The estimate includes state college employees but does not include University of California.

Table No. 9 shows the average number of work days lost per employee for the year 1967-68 compared with the year 1958. While it is noted that the total number of days lost has increased from 78,327 to 86,115 for governmental services, this represents an actual drop in the average number of lost-time days per employee from .84 to .71. Similar comparisons on average lost-time days are shown for the five agencies accounting for the greatest proportion of state Workmen's Compensation losses. The table indicates some improvement in the record of the Highway Patrol. However, there has to be an increase in lost-time from industrial injuries per employee in the Departments of Corrections and Mental Hygiene.

Table 9

AVERAGE NUMBER OF WORK DAYS LOST PER EMPLOYEE FROM INDUSTRIAL INJURIES
(1967-68 COMPARED WITH 1958)

	<u>1958</u>	<u>1967-68</u>
All Governmental Agencies (Excluding Colleges and Universities)	.84	.71
<u>High Loss Agencies</u>		
Corrections	.21	.43
Mental Hygiene	1.60	1.94
Forestry	N.A.	1.39
California Highway Patrol	3.15	2.97
Public Works--Highways	N.A.	.30

Retirement System Disability and Death Benefits

As listed on page 9 of this report and detailed in Appendix Exhibit B, certain specified state safety and prison employees are entitled to special industrial disability retirement and death benefits.

Table 10 shows the number of state employee industrial disability retirements granted by year for a ten-year period from 1958-59 to 1968-69. It is believed significant to note that there has been a substantial increase in the number of such retirements since 1961. Prior to 1961, reduction in retirement benefit was made if the total of benefit and earnings from gainful occupation exceeded the current salary of the position from which the employee had retired. In 1961 this earnings limitation provision, which is still applicable under normal disability retirement conditions, was removed. According to a special staff study on this problem, which is reproduced in Exhibit E-1 the incident of disability retirements under the industrial provision has doubled in ratio to number of covered employees eligible since the year 1961. It is also interesting to note that there are more industrial disability retirements than service retirements among safety employees eligible for such special disability retirement benefits.

Table 10

STATE EMPLOYEE INDUSTRIAL DISABILITY RETIREMENTS
(1958 to 1969)

<u>Year</u>	<u>Retirements</u>	<u>Year</u>	<u>Retirements</u>
1958-59	14	1963-64	42
1959-60	14	1964-65	74
1960-61	25	1965-66	57
1961-62	36	1966-67	82
1962-63	33	1967-68	98
		1968-69	62

In order to determine the cost of special industrial disability retirements and industrial death benefits, a special analysis was made of all such benefits granted in the fiscal year 1966-67. Also, in order to determine the amount of "overlap" of benefits granted under Workmen's Compensation, a special review of all of the 1966-67 cases was made to determine the amounts of Workmen's Compensation awards also given to the retired employees.

Table 11 shows an analysis of the industrial disability and industrial death benefits by cause of disability. The table also shows the reserves established to finance the awarded benefits from employer contribution and employee contribution. In estimating work disability costs, we have attributed such special costs to the amount of matching contribution that would be in excess of a normal 60-40 ratio for a normal retirement benefit. It is noted that over half the industrial death benefit expense involved heart deaths. Of the industrial disability retirements, 58 out of 75 involve such disabilities as heart disease, mental conditions, ulcers, and back cases. In terms of cost, the latter type cases represented 74% of excess of normal expense. Average employer "excess" cost for retirements was \$48,827 and for death cases \$62,606.

Table 11

SPECIAL INDUSTRIAL DISABILITY RETIREMENT AND DEATH BENEFITS--
GRANTED 7/1/66 to 6/30/67

	No.	Reserves Established		Employer Cost (in excess of normal 60/40 share)
		Employee Contribution	Employer Contribution	
Industrial Disability Retirements				
Heart	18	\$ 124,868	\$ 851,524	\$ 664,222
Back	32	266,559	2,012,548	1,612,710
Mental	4	26,082	215,706	176,583
Ulcers	4	25,636	290,419	251,965
Other	<u>17</u>	<u>112,321</u>	<u>1,125,002</u>	<u>956,521</u>
Total	75	\$ 555,466	\$4,495,199	\$3,662,001
Industrial Death Benefits to Survivors				
Heart Deaths	4	\$ 41,626	\$ 258,884	\$ 196,445
Accidents	<u>2</u>	<u>7,187</u>	<u>189,972</u>	<u>179,192</u>
Total	6	\$ 48,813	\$ 448,856	\$ 375,637
Grand Total	<u>81</u>	<u>\$ 604,279</u>	<u>\$4,944,055</u>	<u>\$4,037,638</u>

A special study was made by State Compensation Insurance Fund of all 1966-67 retirement cases to determine the amounts of Workmen's Compensation disability awards and settlements and to indicate the percentage of disability rating. The results of this portion of the study are summarized on Table 12. It is of significance to note that 21 out of 75 retirements involve ratings below 25% or it was not possible to find a specific rating record on the disability.

Table 12

SPECIAL INDUSTRIAL DISABILITY RETIREMENTS BY % OF DISABILITY--
WORKMEN'S COMPENSATION COST AND EMPLOYER COST IN EXCESS OF NORMAL

W.C. Disability Rating %	No. Case	Workmen's Comp. Award	Retirement Cost (Excess normal 60/40)
No. Rating Record	7	--	\$ 232,754
9-25% Rating	14	\$ 49,565	576,191
25% to 70% Rating	46	406,000	2,530,204
Over 70%	<u>8</u>	<u>140,064*</u>	<u>322,762</u>
Total	75	\$ 595,629	\$3,662,001

* Including value of life pension from Workmen's Compensation.

D. SAFETY, MEDICAL, AND OTHER LOSS CONTROL PROGRAMS

In previous discussion, a series of cost analysis tables with explanatory comments have been presented to define the magnitude of the State's work disability expense problem in terms of all benefit systems. Sufficient data were available to specifically identify cost trends for the most widely applicable of the benefit programs, Workmen's Compensation.

In this section, the current status of programs designed to control expense of work disabilities is briefly reviewed. This phase of the pilot study has been of limited scope. The information presented is based on available published reports, review of administrative manuals and regulations, and a series of personal interviews. Discussions concerning loss control efforts were held with safety officers of seven major state departments; with Personnel Board supervisors of training, safety and medical programs; and with the Program Manager of "The Governor's Program to Reduce Occupational Injuries".

General Program Management

Since 1949 when Section 19261 was added to the Government Code, the State Personnel Board has had general authority to develop comprehensive employee health and safety programs for the state service. In 1952, the position of Safety Coordinator was established in the Training Division of the State Personnel Board. With very limited staff resources, the central safety program has been confined to compiling and publishing quarterly and annual industrial injury and motor vehicle accident statistics for the general state operations; offering limited technical advice and assistance to departmental safety programs; and developing some special safety training programs such as the Driver Safety Training Program. The Safety Section has also regularly published reports summarizing Workmen's Compensation incurred losses by agency and organization unit as compiled from claims reports prepared by the State Compensation Insurance Fund. The Medical Officer of the State Personnel Board has established medical standards to be applied in examining applicants for **some jobs requiring unusual physical stress** such as Highway Patrolmen, Forestry Firefighters, State Lifeguards. The Medical Officer also provides other professional medical advisory service for the Personnel Board and state departments with reference to any types of personnel actions relating to employee health including disabilities caused by work injuries. The State Personnel Board has established a special program to facilitate rehabilitation of disabled state employees headed by a vocational rehabilitation specialist.

On June 6, 1968, the State Personnel Board held a special hearing concerning Workmen's Compensation costs and safety programs. Comprehensive presentations were made at the hearing by representatives of six major state agencies and by the State Compensation Insurance Fund. During the subsequent fiscal year 1968-69, special study was given the many problems involved in improving state safety and other loss control efforts. The key determination made as a

result of the hearing and special studies was the need for firmly establishing safety and loss control as a "top management" program with policies, organizational responsibilities, goals, and follow-up under direct sponsorship of the Governor. Such a program was officially announced by Governor Reagan on February 2, 1970. "The Governor's Program to Reduce Occupational Injuries" is reproduced in Appendix E. The program sets a goal for reducing disability injury frequency 10% each year for the next three years. A program manager has been provided by the State Personnel Board from the staff of SCIF under a cost reimbursement contract arrangement.

Safety Program and Accident Statistics

Table 13 shows a ten-year comparison of disabling injury frequency rates per million man hours worked for total state governmental services and for the five departments and divisions which account for 74% of general government Workmen's Compensation incurred losses. Appendix Charts F-1 to F-9 inclusive present in detail the accident frequency trends.

Table 13

TEN-YEAR COMPARISON OF ACCIDENT FREQUENCY RATES
(DISABLING INJURIES PER MILLION MAN HOURS)

	<u>1957</u>	<u>1967-68</u>
All Governmental Agencies (Excluding Universities and Colleges)	18.92	18.39
<u>High Loss Agencies</u>		
Corrections	6.71	14.81
Mental Hygiene	48.00	40.41
Forestry	13.70	32.61
California Highway Patrol	49.40	47.30
Public Works--Highways	16.11	8.68

In general, the tables and charts indicate little progress has been made during the study period in reducing the accident frequency rate for the total state service. The year 1958 appears to have been the low point in the total index followed by a marked rise in 1960 and 1961 to the 22-23 level and then stabilizing at an 18+ level from 1963 forward.

The Public Works Department--Division of Highways, during the entire period studied, has achieved impressive results in reducing accident frequency rates almost every year. As shown in previous Table 8, workmen's costs also have risen less rapidly and are presently below the average for the state service per employee or per payroll dollar. The department has had a comprehensive safety program established as an integral part of the management and supervisory process. Full-time technical safety engineering staff service has been provided both at central management level and in each of the field operating divisions.

Both the California Highway Patrol and Department of Mental Hygiene show moderate improvement in safety record during the period. In 1962 a comprehensive study was made of safety and other work disability loss control problems of the Department of Mental Hygiene by the Audits Division of the Department of Finance. In accordance with the study recommendations a safety program was established with professional safety engineering staff guidance. Currently there are two professional employees in headquarters staff and full-time safety officers at three of the sixteen hospitals operated by the department. Marked reduction in frequency rate has been made from a high in 1961 to a low of 32+ in 1964. Since 1964 accident rates have ranged from 35 to 40. Costs per payroll dollar and per employee (Table 8) have continued to be significantly higher than state average but have risen less rapidly **than the State average.**

The California Highway Patrol currently has an active safety program with continuous management support and participation. Professional technical staff has been provided to assist in program development. Department data processing facilities are currently being utilized to analyze accident problems and provide comprehensive information on results achieved. Favorable trends are evident since 1962 and 1963 in reducing the high frequency rate.

The Department of Corrections and Division of Forestry industrial accident trends have been adverse during the study period. Of particular concern are both accident and cost trends of the Department of Corrections. The department currently has no full-time professional safety engineering staff to assist in developing safety programs. The Department of Conservation (including Division of Forestry) reorganized its safety program in 1965 with employment of a full-time safety engineer. The frequency rate of 32.6 for 1967-68 for the Division of Forestry represented substantial improvement from the 40 to 50 level of the five prior years. The rate is still significantly higher than ten years ago.

Data are not published on accident frequency rates of University of California or California State College system. These organizations do not maintain central safety engineering staff services to analyze accident problems, to develop safety and other loss control programs, and to facilitate implementation of programs by operating personnel at the various colleges and universities.

Under the master service agreement covering "self-insured" state operations, responsibility of the State Compensation Insurance Fund has been limited to claims administration and legal defense. However, the Fund has voluntarily made available to state departments on a request basis the use of Safety Training materials and other safety advisory services. The departments with active safety programs have utilized SCIF resources. However, it is apparent that many state agencies have failed to use SCIF facilities and services on any consistent basis.

With reference to motor vehicle safety, considerable progress is indicated by Appendix Chart F-9. The accident rate for the total state fleet has dropped from approximately 17 accidents per million miles traveled in 1958 to a 11.3 rate in 1968-69. Particular emphasis has been given to this program by the State Personnel Board Safety Coordinator. Program has involved Defensive Driver Training programs made available to all agencies and issuance of a driver training manual.

Medical Aspects of Loss Control

Attention has been directed in several previous sections to the broadened interpretation of types of employee disabilities now considered compensable under Workmen's Compensation. It was also noted that special presumptions with reference to heart problems have been granted to a substantial number of state safety and prison personnel. Many studies of Workmen's Compensation costs indicate that degenerate diseases and a variety of pre-existing health problems are the basic cause of a major portion of Workmen's Compensation expense. Actually, the severity of the original job injury may be a minor element in determining the ultimate cost of a claim. This is particularly evident with respect to back injuries. Back and heart claims analyzed in Appendix Table F-2 accounted for 45.9% of disabling injury incurred losses during the four-year period. It is probable that 60 to 70% of state losses relate primarily to degenerative diseases and pre-existing health problems.

Pre-employment physical examinations have been required for only a limited number of state positions. In 1967-68 departments first were generally authorized to pay the expense of such examinations when deemed desirable. The most comprehensive examination is prescribed by the California Highway Patrol which now requires X ray of lower back and electrocardiogram as well as a general physical examination. No state department presently requires periodic physical examinations and there are no current occupational health programs specifically directed to reduction of cardio-vascular or other degenerative disease problems.

An important part of a modern loss control program is to provide for the best possible first treatment of industrial injuries and competent follow-up medical service. With assistance of SCIF, most state departments have now designated doctors and medical facilities to be used for first medical treatment of injured employees. Subsequent referrals to specialists when required are handled by SCIF as a normal part of the claims management process. Although the State has the most extensive medical resources of any single organization in California, relatively little use has been made of these resources in the Workmen's Compensation program.

Management Information Programs

A management information system to provide regular and timely reports on accident and loss trends to all levels of management and supervisory personnel is an important part of an effective loss control program. Such programs have been developed particularly with respect to accident statistics in the Departments of Public Works, Water Resources, and California Highway Patrol. The general reporting system under the Personnel Board has been limited to general government operations, with data on University of California and California State College systems omitted. A well-coordinated information system has not been developed to serve the needs of supervisory personnel throughout the state service.

Claims Adjustment and Legal Defense

State Compensation Insurance Fund is responsible for Workmen's Compensation claims adjustment and legal defense. The State Administrative Manual requires all departments to file reports on job injuries within five days with SCIF. A November 1965 audit of state cases in five offices of SCIF showed the average filing time was 18 days. Whether this delay generally has been corrected is not known, although it was noted several departments presently require internal processing and approval procedures prior to release of injury reports which could cause unnecessary delays. The extent to which departments follow progress of employees off work on injuries and maintain liaison with State Fund representatives to facilitate claims management and rehabilitation of injured workers varies depending on policies and program of the concerned department. Whether the State as a whole or particular departments have higher than average number of claims settled through litigation procedures is not known since SCIF does not compile such records by individual policy or service account.

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WORK DISABILITY BENEFIT COMPARISONS

FEDERAL--STATE OF CALIFORNIA

I. TEMPORARY DISABILITIES - (WITH ABSENCE FROM WORK)

Federal Employees

All Medical Expenses

Use of Sick and Vacation Leave Time for Full Salary

or

Federal Employees Compensation Act (F.E.C.A.) Benefits of 2/3 salary (if single) or 75% (with dependents). Maximum - \$21,048 per year (404.77/week). Three-day waiting period unless disability exceeds 21 days or results in permanent disability.

State Employees

All Medical Expenses

Workmen's Compensation (W.C.) Benefits which may be supplemented up to full salary by use of sick and vacation leave. W.C. benefits of 61.65% of salary with maximum - \$87.50 per week for 240 weeks. Seven-day waiting period unless hospitalized or off more than 49 days.

California Highway Patrol and Peace Officers of Bureau of Narcotics and Bureau of Criminal Identification and Investigation receive full salary up to one year in lieu of W.C. benefits. Thereafter, regular W.C. benefits as above which then may be supplemented with sick and vacation leave.

II. PARTIAL PERMANENT DISABILITIES -
(WITH RETURN TO WORK WITH JURISDICTION)

Federal Employees

Medical Expenses and Job Earnings

plus

F.E.C.A. Award if "scheduled" disability. F.E.C.A. payments on other disabilities only if wage loss.

WORK DISABILITY BENEFIT COMPARISONS
FEDERAL--STATE OF CALIFORNIA (Cont.)

II. PARTIAL PERMANENT DISABILITIES - (WITH RETURN TO WORK WITH JURISDICTION)
(Cont.)

Scheduled Disabilities

Award for permanent total or partial loss of use of anatomical members and functions as specified in F.E.C.A. Act schedule -- arms, legs and their appendages; sight; hearing; and disfigurement only.

Other Disabilities

No compensation for other disabilities (such as back, hernia, circulatory system, nervous system, internal organs) determined to be job-caused unless disability causes reduction in earnings. F.E.C.A. benefits then paid of 2/3 wage loss; 3/4 if dependents.

State Employees

Medical Expenses and Job Earnings

plus

Workmen's Compensation disability award

Workmen's Compensation permanent disability award -

All types of job-related disabilities subject to rating. Amount of award rating based on type and extent of disability adjusted for age and occupation. Four weeks payment per one percent rating. 61.75% salary with maximum \$52.50 per week.

If employee returns to lower-paid positions because of disability, no specific compensation for wage loss (except to extent may be covered by disability award described above).

III. PERMANENT DISABILITY - (NOT ABLE TO RETURN
TO WORK WITH ORIGINAL EMPLOYER)

Federal Employees

Medical Expenses (F.E.C.A.)

F.E.C.A. Compensation benefits or Disability Retirement
(and Scheduled F.E.C.A. award, if applicable - See Section III above)

F.E.C.A. Compensation Benefit

Totally Disabled (No possible gainful employment) - Life time payment 2/3 salary, 3/4 if dependents - Present maximum \$404.77/week. Automatic cost of living adjustments.
Disabled with some earning capacity - 2/3 loss of earning capacity, 3/4 if dependents.

APPENDIX EXHIBIT A

WORK DISABILITY BENEFIT COMPARISONS
FEDERAL--STATE OF CALIFORNIA (Cont.)

III. PERMANENT DISABILITY - (NOT ABLE TO RETURN TO WORK WITH ORIGINAL EMPLOYER)
(Cont.)

Federal Employees (Cont.)

Disability retirement - eligible if five years service; computation formulas usually provide 40% of average salary for five highest years; retirement annuity terminated if employee recovers from disability or earning capacity restored for two years to 80% of current salary of position from which retired.

State Employees

Workmen's Compensation Benefits plus Disability retirement plus Federal O.A.S.I. Disability Allowance (if covered and eligible)

Workmen's Compensation Benefits

Medical Expenses (if continued medical provided in award)

Permanent Disability Award - Amount payable determined by percent of disability rating (see Section III above). If rated 70% or more, continued life-time pension after payment of number of weeks of award. Maximum life pensions - 70% rating, \$12.12/week; 100% rating, \$48.46/week.

Disability Retirement

General employees under Public Employees' Retirement System (P.E.R.S.) - eligible if 10 years service or \$500 on deposit with system. Computation formulas designed to provide 1/3 of average salary for three highest years. Until minimum age for voluntary retirement, allowance reduced if earnings from gainful occupation and retirement allowance exceeds current salary of former state position.

Special Industrial Disability Retirement - For safety employees specified only (see Appendix B). No length of service requirements. Retirement allowance 50% of average salary for three highest years. No limit on earnings after retirement.

University of California Employees Under U.C. System - Qualification: two or more years service. Payment calculated by same formula as for normal retirement but actuarial factor shall not be less than .015. If credited with ten years service or \$2,500 on deposit, payment not less than 1/2 of retirement allowance calculated as through service continued until compulsory retirement age.

APPENDIX EXHIBIT A

WORK DISABILITY BENEFIT COMPARISONS
FEDERAL--STATE OF CALIFORNIA (Cont.)

III. PERMANENT DISABILITY - (NOT ABLE TO RETURN TO WORK WITH ORIGINAL EMPLOYER)
(Cont.)

State Employees (Cont.)

Federal O.A.S.I. Disability Coverage

Approximately 70% of current miscellaneous state employees under P.E.R.S. (except Patrol and Forestry Firefighters) are covered also under Federal Social Security. Such covered employees are eligible to receive O.A.S.I. disability benefits if totally disabled in addition to P.E.R.S. Disability benefit. Offset reduction in state allowance only made in cases of Special Industrial Disability Retirements (see above).

IV. DEATH FROM INDUSTRIAL INJURY

Federal Employees

Burial Expenses: F.E.C.A. pays up to \$800.

F.E.C.A. survivor benefits or Retirement System Death Benefits.

F.E.C.A. Survivor Benefits

Wife - 45% of salary; wife and children - 40% + 15% for each child up to maximum of 75% of salary. Provision made for other types of dependents.

Retirement System Death Benefits

Lump-sum death benefit, refund of contributions plus interest if no survivors. Survivors benefit - 55% of employee's basic retirement annuity to widow plus additional benefits for surviving children. (Amount per child depends on formula--highest \$661.20 per year per child.)

State Employees

Burial Expense (all employees) - Not more than \$1,000 from Workmen's Compensation.

Special Industrial Death Benefit (In lieu of Workmen's Compensation).

Payable only to: Survivors of Highway Patrol, Forestry firefighters, permanent state lifeguards, enforcement officers--Narcotics and Criminal Identification and Investigation; and certain prison, correctional and parole employees.

Amount: 50% of highest three-year average salary to widow or eligible children. If death "caused by external violence"; additional benefits for children to maximum of 75% salary for widow and three children.

If employee was covered by state under Federal O.A.S.I., an offset reduction made for amount of O.A.S.I. survivor benefits.

APPENDIX EXHIBIT A

WORK DISABILITY BENEFIT COMPARISONS
FEDERAL--STATE OF CALIFORNIA (Cont.)

IV. DEATH FROM INDUSTRIAL INJURY (Cont.)

Other State Employees (Under P.E.R.S.)

Workmen's Compensation death benefit plus retirement system death benefits plus Federal O.A.S.I. survivors benefits (If covered).

Workmen's Compensation death benefit -
one dependent, \$20,000; widow with one or more children, \$23,000.
Payable in installments - maximum \$87.50/week.

Retirement system death benefits -

(a) If member was eligible for retirement, qualified survivors receive one-half member's unmodified retirement allowance.

(b) Otherwise, basic death benefit paid of accumulated contributions including interest plus one month's salary for each year's service not to exceed six years.

(c) Survivors of employees not covered by Federal O.A.S.I. or not eligible for "special industrial death benefit" are generally eligible for "1959 survivors benefits" ranging from \$90 to \$250/month depending on their number. These benefits paid in addition to (b) above.

Federal O.A.S.I. survivors benefits -

Amount paid varies depending on average covered wages and number of eligible dependents.

University of California Employees (Under U.C. System)

Workmen's Compensation death benefit plus retirement system death benefits. (Not covered under O.A.S.I.)

Workmen's compensation death benefits--as stated above.

Retirement System benefits -

With dependent survivors:

(a) If member was eligible for retirement, one-half single life retirement to survivors.

(b) If member had less than eight years service, \$130 per month to survivors.

(c) If member had eight years or more service but not eligible for retirement, one-third single life retirement calculated as though member served to age 67 (but not less than \$130 per month) to survivors. Increased basic allowance paid to survivor for dependent children.

WORKMEN'S COMPENSATION SPECIAL BENEFITS

AND PRESUMPTIONS FOR STATE EMPLOYEES

I.

Statutory presumptions and benefits in workmen's compensation pertaining generally to all California state employees are:

- 1917 Labor Code sec. 3604. Violation of civil service or other law or regulation regarding hiring will not disqualify the injured person from workmen's compensation (1917).
- 1917 Labor Code sec. 4155. Conclusive presumption that the state has elected to come within certain employments otherwise excluded from workmen's compensation (1917).
- 1939 Govt. Code sec. 18102. Election of sick leave pay, vacation pay, or workmen's compensation disability pay for an industrial injury (1939).
- 1941 Govt. Code sec. 19332. Absence because of industrial injury is not a break in continuous service for purposes of salary adjustments, sick leave, vacation, or seniority (1941).

II.

Special classes of California state employees also are provided the following specific statutory presumptions, privileges and benefits for workmen's compensation:

A. CALIFORNIA HIGHWAY PATROLMEN

- 1931 Vehicle Code sec. 2253. Deemed to be on duty 24 hours a day when actually exercising powers or duties imposed or authorized by law (1931).
- 1935 Labor Code sec. 4800. Salary in lieu of temporary disability payments for one year (1935).
- 1943 Labor Code sec. 3212.5. Presumption of industrial heart and
1959 pneumonia injury after five years of employment (1943). No apportionment of hernia, heart trouble or pneumonia to pre-existing disease (1959).
- 1945 Govt. Code sec. 21022. Special industrial disability retirement allowance regardless of age or length of service (1945).

APPENDIX EXHIBIT B

WORKMEN'S COMPENSATION SPECIAL BENEFITS
AND PRESUMPTIONS FOR STATE EMPLOYEES
(Cont.)

A. CALIFORNIA HIGHWAY PATROLMEN (Cont.)

- 1945 Govt. Code sec. 21363. Special industrial death benefits (1945).
- 1957 Vehicle Code sec. 2254. Entitled to examine records of California Highway Patrol or State Compensation Insurance Fund in any dispute arising from industrial disability (1957).

B. ACTIVE FIREFIGHTERS OF DIVISION OF FORESTRY

- 1937 Labor Code sec. 3212. Presumption of industrial hernia injury (1937),
1939 heart trouble (1939), and pneumonia (1939). No apportionment to
1959 pre-existing disease (1959).
- 1947 Govt. Code sec. 21020.6. Special industrial disability retirement allowance regardless of age or length of service (1947). Classes of firefighters enumerated in Govt. Code sec. 20017.6 (1967, 1968).
- 1947 Govt. Code sec. 21363.5. Special industrial death benefits (1947). Classes of firefighters enumerated in Govt. Code sec. 20017.6 (1967, 1968)

C. PEACE OFFICERS OF THE BUREAU OF NARCOTIC ENFORCEMENT

- 1951 Govt. Code sec. 21020.7. Special industrial disability retirement allowance regardless of age or length of service (1951 repealed 1965).
- 1951 Govt. Code sec. 21363.7. Special industrial death benefits (1951, repealed 1965).
- 1961 Labor Code sec. 3212.7. Presumption of industrial heart, hernia, pneumonia and tuberculosis injury (1961). No apportionment to pre-existing disease (1961).
- 1963 Govt. Code sec. 21020.75. Special industrial disability allowance regardless of age or length of service for law enforcement members, which includes narcotic agent (Govt. Code sec. 20017.7 1963).
- 1963 Govt. Code sec. 21363.75. Special industrial death benefits for law enforcement members, which includes narcotic agent (Govt. Code sec. 20017.7 1963).
- 1969 Labor Code sec. 4800. Full salary in lieu of temporary disability payments for one year (1969 amendment).

APPENDIX EXHIBIT B

WORKMEN'S COMPENSATION SPECIAL BENEFITS
AND PRESUMPTIONS FOR STATE EMPLOYEES
(Cont.)

D. DEPARTMENT OF CORRECTIONS CUSTODIAL EMPLOYEES

- 1945 Govt. Code sec. 21363: Special industrial death benefits (1945).
- 1959 Labor Code sec. 3212.2: Presumption of industrial heart injury (1959).
- 1961 Govt. Code sec. 21020.8: Special industrial disability retirement allowance regardless of age or length of service (1961).

E. DEPARTMENT OF YOUTH AUTHORITY GROUP SUPERVISORS

- 1959 Labor Code sec. 3212.2: Presumption of industrial heart injury (1959).

F. PEACE OFFICERS OF THE BUREAU OF CRIMINAL IDENTIFICATION AND INVESTIGATION

- 1951 Govt. Code sec. 21020.75: Special industrial disability allowance regardless of age or length of service for law enforcement member, which includes certain persons in the Bureau of Criminal Identification and Investigation (Govt. Code sec. 20017.75 (1951, amended 1963)).
- 1951 Govt. Code sec. 21363.75: Special industrial death benefits for law enforcement members, which includes certain persons in the Bureau of Criminal Identification and Investigation (Govt. Code sec. 20017.75 (1951, amended 1963)).
- 1961 Labor Code sec. 3212.7: Presumption of industrial heart, hernia, pneumonia and tuberculosis injury (1961). No apportionment to pre-existing disease (1961).
- 1969 Labor Code sec. 4800: Salary in lieu of temporary disability payments for one year (1969 amendment).

G. LAW ENFORCING WARDENS OF THE DEPARTMENT OF FISH AND GAME

- 1945 Govt. Code sec. 21020.5: Special industrial disability retirement allowance regardless of age or length of service (1945).
- 1949 Labor Code sec. 3212: Presumption of industrial heart, hernia,
1959 and pneumonia (1949). No apportionment to pre-existing disease (1959).

APPENDIX EXHIBIT B

WORKMEN'S COMPENSATION SPECIAL BENEFITS
AND PRESUMPTIONS FOR STATE EMPLOYEES
(Cont.)

H. SAN FRANCISCO PORT AUTHORITY HARBOR POLICEMEN

- 1959 Govt. Code sec. 21363.4: Special industrial death benefits (1959).
- 1967 Govt. Code sec. 21020.75: Special industrial disability allowance regardless of age or length of service for law enforcement members, which includes certain persons in the San Francisco Port Authority who are peace officers (Govt. Code sec. 20017.76 (1967)).
- 1967 Labor Code sec. 4800: Salary in lieu of disability payments for one year (1967).

I. OFFICERS AND ENLISTED MEN OF THE CALIFORNIA NATIONAL GUARD OR NAVAL MILITIA

- 1952 Military and Veterans Code sec. 341: Conclusive presumption that average yearly earnings is not less than \$2,500 (1952).

J. OFFICERS AND SUPERVISORS OF CADET INSTRUCTION

- 1957 Military and Veterans Code sec. 520: Conclusive presumption that average yearly earnings is not less than \$2,500 (1957).

K. OFFICERS AND ENLISTED MEN AND WOMEN OF STATE MILITARY RESERVE

- 1955 Military and Veterans Code sec. 562: Conclusive presumption that average yearly earnings is not less than \$2,500 (1955).

L. SECURITY OFFICERS AT ATASCADERO STATE HOSPITAL

- 1959 Labor Code sec. 3212.2: Presumption of industrial heart injury (1959).

M. APPOINTED STATE MEMBERS OF YOUTH AND ADULT CORRECTIONS AGENCY, YOUTH AUTHORITY, BOARD OF TRUSTEES OF INSTITUTION FOR WOMEN OR WOMEN'S BOARD OF TERMS AND PAROLE, BOARD OF CORRECTIONS OR ADMINISTRATOR OF YOUTH AND ADULT CORRECTIONS AGENCY

- 1963 Govt. Code sec. 21363.6: Special industrial death benefits where death occurs in course of official duties and as a result of misconduct of an inmate or parolee (1963).

N. APPOINTED STATE MEMBER DEPARTMENT OF CORRECTIONS OR ADULT AUTHORITY

- 1959 Govt. Code sec. 21363.3: Special industrial death benefits where death occurs as a result of official duties within a state prison or facility (1959).

APPENDIX EXHIBIT B

WORKMEN'S COMPENSATION SPECIAL BENEFITS
AND PRESUMPTIONS FOR STATE EMPLOYEES
(Cont.)

O. PERMANENTLY APPOINTED STATE LIFEGUARDS

1968 Govt. Code sec. 21020.75: Special industrial disability allowance regardless of age or length of service for law enforcement members, which includes certain permanently appointed state lifeguards (Govt. Code sec. 20017.8 (1968)).

1968 Govt. Code sec. 21363.75: Special industrial death benefits for law enforcement members, which include certain permanently appointed state lifeguards (Govt. Code sec. 20017.8 (1968)).

P. EMPLOYEES OF CALIFORNIA STATE POLICE DIVISION WHO ARE PEACE OFFICERS AS DEFINED IN SECTION 830.2 OF THE PENAL CODE.

1969 Govt. Code sec. 20017.75: Amended to include the State Police as "Law enforcement members". This places such employees in the group entitled to:

1. Govt. Code sec. 21292.75 - Industrial disability retirement allowance
2. Govt. Code sec. 21363.75 - Special (industrial) death benefit.

HOW STATE AGENCIES MEET THEIR
WORKMEN'S COMPENSATION OBLIGATIONS

Insured and Uninsured Agencies

The state government's workmen's compensation liability--obligations to its employees--are administered by the State Compensation Insurance Fund through a "claims adjustment service" or, at the election of some agencies, through a transfer of their liability by purchase of a workmen's compensation insurance policy from the State Compensation Insurance Fund.

Master Agreement

Those entities not insured have been authorized under Insurance Code Section 11871 to participate in a claims adjustment service agreement established between the State Compensation Insurance Fund and the Department of Finance. The charges provided for in the master agreement are described as: ".....the Fund will be paid 12½% of its expenditures on each claim against any agency except certain claims against the California Highway Patrol; to wit, claims made by or on behalf of any employee in the California Highway Patrol who receives salary in lieu of disability payments during leave of absence, under Labor Code 4800, as to which claims the Fund will be paid 35% of its expenditures, exclusive of the disability payments. These respective percentages, it is agreed, represent by the average the actual cost of services rendered."

The basis for establishing the rates of charges is set forth at the end of this exhibit.

External Controls

Government Code (13294) and Insurance Code (11860) provide for an audit of the State Fund's books and records. Periodic audits under these provisions are made by the Auditor General and the Department of Finance. They include a review of the "Adjustment Service" Program, the disposition of benefit funds and the service charges.

Note: Exhibit prepared by the State Compensation Insurance Fund.

HOW STATE AGENCIES MEET THEIR
WORKMEN'S COMPENSATION OBLIGATIONS (Cont.)

Services Provided the State of California Under the Master Agreement

Master Agreement Services

Following is an outline of the services provided under the master agreement:

Uninsured State Agencies Services

A. Claims Adjustment Services

1. Liability decisions
2. Claims investigation
 - a. On questionable claims
 - b. Serious and Willful Misconduct allegations

Legal Services

3. Legal representation
 - a. On all cases before the Workmen's Compensation Appeals Board and to all levels of appeal.
 - b. Defense of Serious and Willful Misconduct applications.
 - c. Counsel and service on compensation-related subrogation matters.
 - d. Advice and counsel on request.

Fiscal/Medical

4. Fiscal and medical controls
 - a. Inclusion of state claims under Potential High-Cost Claims Program under criteria common to all claims.
 - b. Advice and counsel of State Fund Medical Department on difficult and complex medical problems.
 - c. Preparation and maintenance of panels of physicians for state agencies with dispersed operations.
 - d. Full use of State Fund consultants lists.
 - e. Estimating and reserving standards common to all claims.

APPENDIX EXHIBIT C

HOW STATE AGENCIES MEET THEIR
WORKMEN'S COMPENSATION OBLIGATIONS (Cont.)

One objective in testing data and in developing ratios is to determine average cost. As average cost is a function of direct cost plus indirect cost, we have tested the data, developed both of these ratios and combined their values to reflect average cost.

For the five years 1964-1968, the direct cost averaged \$11.38 and the indirect cost averaged 2.00 giving a total average cost of \$13.38.

Analysis of 1968 year develops a direct cost of \$12.50 and an indirect cost of \$2.32 for a total cost of \$14.81.

Highway Patrol

Provision of the Labor Code for salary continuation for one year is accepted in lieu of disability payments for law enforcement personnel of the Highway Patrol.

To make allowance for this deviation, we base a service charge on the only true reflection of adjusting expense, medical benefits.

The following analysis develops an expense factor based on medical benefits. Total compensation and medical benefits divided by medical benefits to develop a ratio of medical to total benefits.

Compensation and medical benefits together equal 2.60 times medical benefits for 1968. An average for the years 1964-1968 is 2.84.

Based on EXHIBIT II, the medical ratios would be as follows:

12.37	x	2.60	=	32.2
12.37	x	2.84	=	35.1
12.50	x	2.60	=	32.5
12.50	x	2.84	=	35.5

EXHIBIT I

<u>1913-1968</u>	Schedule P	Unallocated Loss Expense	Comp. & Med.
Comp. Loss Payments 1913-1968	\$893,194,974.24	-\$6,536,169.38 (1)	\$886,658,804.86
Comp. Loss Expense Payments 1913-1968	\$82,581,844.28	+ 6,536,169.38 (1)	\$89,118,013.66

<u>1968</u>	Total	Adjustments	Revised
Compensation and Medical Payments			
Comp. payments on Fund policies	\$43,316,710.97		
Med. payments on Fund policies	<u>27,016,137.13</u>	\$70,332,848.10	
Uninsured State Employees Comp. & Med.		6,164,847.43	
Disaster Service Workers Comp. & Med.		31,503.38	
Subsequent injuries Compensation		<u>1,048,082.14</u>	
Total Comp. & Med. payments		\$77,577,281.05 - \$1,006,908.73 (2)	\$76,570,372.32
Other Costs			
Claims Expense Direct	\$7,706,945.90	+1,006,908.73 (2) +856,793.30 (3)	9,570,647.93
Other State Fees	326,565.01		326,565.01
Other Expenses	<u>9,673,583.05</u>		<u>9,673,583.05</u>
	\$17,707,093.96		\$19,570,795.99
Less Cost not applicable			
Acquisition	\$2,385,269.43		
Safety	2,396,077.08		
Payroll Auditing	1,814,833.64		
Underwriting	<u>1,628,781.19</u>	<u>\$8,224,961.34</u> (4)	<u>\$8,224,961.34</u>
		\$9,482,132.62	\$11,345,834.65
		-7,706,945.90	-9,570,647.93
		<u>\$1,775,186.72</u>	<u>\$1,775,186.72</u>

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APPENDIX EXHIBIT C

EXHIBIT II

Ratios

Direct Cost:	1913-1968	\$ $\frac{89,118,013.66}{886,658,804.86}$	= \$ 10.05
	1968	\$ $\frac{9,570,647.93}{76,570,372.32}$	= \$ 12.50
Indirect Cost	1968	\$ $\frac{1,775,186.72}{76,570,372.32}$	= \$ 2.32

Direct Cost 1913-1968 + Indirect Cost 1968		\$ 10.05 + 2.32 = \$ 12.37
Direct Cost 1968 + Indirect Cost 1968		\$ 12.50 + 2.32 = \$ 14.82

APPENDIX EXHIBIT D
INSURANCE COVERAGE DATA

CURRENTLY INSURED STATE AGENCIES

<u>NUMBER</u>	<u>POL. DATES</u>	<u>NAME</u>
107000-69	7-1-69/70	Department of Agriculture Self-Supporting Functions, et al
107008-69	7-1-69/70	Department of Insurance
107011-69	7-1-69/70	Department of Professional and Vocational Standards
107018-69	7-1-69/70	Division of Farm and Home Purchases, Department of Veterans Affairs
107042-69	7-1-69/70	Public Utilities Commission - Transportation Rate Fund
107052-69	7-1-69/70	California State Educational Agency for Surplus Property
107057-69	7-1-69/70	Department of Real Estate, Real Estate Fund
107058-69	7-1-69/70	<u>Department of Motor Vehicles, Motor Vehicle Fund</u>
107063-69	7-1-69/70	Department of Savings and Loan, Business and Transportation Agency
107064-69	7-1-69/70	California Industries for Blind
107066-69	7-1-69/70	<u>Department of Water Resources</u>
107068-69	7-1-69/70	Old Age-Survivors Insurance Disability Certification Program, Department of Rehabilitation
107069-69	7-1-69/70	Department of Corrections, Inmate Welfare Fund
107071-69	7-1-69/70	Department of Education's Library Service and Construction Act Program
107072-69	7-1-69/70	Trustees of the California State Colleges
107076-69	7-1-69/70	National Defense Education, Title V
107077-69	7-1-69/70	Adult Education for Civil Defense, State Department of Education
107078-69	7-1-69/70	Opportunity Work Centers for the Blind Revolving Fund, Department of Rehabilitation

APPENDIX EXHIBIT D

CURRENTLY INSURED STATE AGENCIES (Cont.)

<u>NUMBER</u>	<u>POL. DATES</u>	<u>NAME</u>
107080-69	7-1-69/70	Trustees of the California State Colleges for San Francisco State College
107082-69	7-1-69/70	Department of General Services, Service Revolving Fund
107084-69	7-1-69/70	Department of Education, Manpower Development and Training Act Program Fund
107085-69	9-30-69/70	State Personnel Board A.I.D. - Thailand Project
107087-69	7-1-69/70	Department of Education, Elementary and Secondary Education Act Title II, Title III, Title V and Title VI
107088-69	7-1-69/70	California School for the Blind, Department of Education ESEA Title I, Project Code 60-ST-03-02-2004
107089-69	7-1-69/70	California School for the Deaf - Riverside - Education ESEA Title I
107090-69	7-1-69/70	Board of Pilot Commissioners for the Bay of San Francisco, San Pablo and Suisun
107092-69	7-1-69/70	California School for the Deaf, Department of Education, ESEA Title I
107093-69	7-1-69/70	Cooperative Personnel Services Division of California State Personnel Board
107094-69	7-1-69/70	Automobile Accident Study Commission
107095-69	7-1-69/70	Department of Rehabilitation
NOTE: 107026-68	10-1-68/69 CANCELLED 10-1-69	Poultry Improvement Commission of State of California
16012-69	6-30-69/70	<u>Regents of the University of California</u>

APPENDIX EXHIBIT D

INSURANCE COVERAGE DATA (Cont.)

RECAPITULATION OF INSURED STATE AGENCIES

	<u>Payroll</u>	<u>Premium</u>	<u>Incurred Losses</u>	<u>Dividend</u>
7/1/64 to 7/1/65	\$ 402,627,246	\$1,865,540	\$ 636,142	\$ 872,092
7/1/65 to 7/1/66	465,441,029	1,775,000	1,054,973	532,484
7/1/66 to 7/1/67	525,268,864	1,891,484	1,174,608	347,762
7/1/67 to 7/1/68	592,828,304	2,232,087	1,929,713	418,545
	<u>\$1,986,165,443</u>	<u>\$7,764,111</u>	<u>\$4,795,436</u>	<u>\$2,170,883</u>
<u>7/1/57 to 7/1/58</u> (14 state agencies)	\$ 154,071,415	\$ 446,786	\$ 370,120	\$ 52,472

APPENDIX EXHIBIT D

INSURANCE COVERAGE DATA (Cont.)

<u>POLICY HISTORY</u>				
<u>Policy Year</u>	<u>Payroll</u>	<u>Premium</u>	<u>Incurred Losses</u>	<u>Dividend</u>
<u>DEPARTMENT OF WATER RESOURCES 107066</u>				
64-65	\$ 19,475,301	\$ 220,859	\$ 8,851	\$ 160,123
65-66	28,497,456	93,558	30,753	40,698
66-67	27,374,251	55,478	98,005	ND
67-68	45,470,581	145,702	223,058	ND
	\$ 120,817,589	\$ 515,597	\$ 360,667	\$ 200,821
57-58	\$ 772,260	\$ 5,967	\$ 288	\$ 2,894
<u>GENERAL SERVICES 107082</u>				
10/64-7/65	\$ 6,566,145	\$ 76,025	\$ 17,531	\$ 38,012
65-66	8,210,537	88,428	20,540	45,983
66-67	9,673,157	100,426	35,099	* 42,179
67-68	10,292,105	100,895	43,230	* 35,818
	\$ 34,741,944	\$ 365,774	\$ 116,400	\$ 161,992
<u>DEPARTMENT OF AGRICULTURE 107000</u>				
64-65	\$ 7,376,853	\$ 44,001	\$ 10,238	\$ 20,241
65-66	7,424,060	36,609	28,828	6,407
66-67	7,818,993	30,511	50,130	---
67-68	8,083,153	35,387	42,450	---
	\$ 30,763,059	\$ 146,508	\$ 131,646	\$ 26,648
57-58	\$ 5,683,610	\$ 27,306	\$ 25,955	\$ 4,505
<u>DEPARTMENT OF MOTOR VEHICLES 107058</u>				
64-65	\$ 31,094,341	\$ 136,729	\$ 23,239	\$ 79,987
65-66	34,204,100	153,609	67,680	54,531
66-67	37,849,195	143,636	49,279	* 63,200
67-68	41,419,199	166,634	107,177	* 34,160
	\$ 144,566,835	\$ 600,608	\$ 247,375	\$ 231,818
<u>UNIVERSITY OF CALIFORNIA 16012</u>				
64-65	\$ 318,714,040	\$1,267,974	\$ 492,837	\$ 551,568
65-66	365,688,987	1,271,806	815,958	343,387
66-67	418,612,387	1,414,758	885,903	* 346,616
67-68	463,569,348	1,633,672	1,321,005	* 432,923
	\$1,566,584,762	\$5,588,210	\$3,515,703	\$1,674,494
57-58	\$ 136,831,605	\$ 363,847	\$ 311,242	\$ 32,749

* Includes estimated additional dividend to be paid on the 1966 and 1967 years.

**SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO
ALLOWANCES PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?**

ISSUE:

Should the earnings test be restored to apply to allowances payable under prospective industrial disability retirements?

EXPLANATION:

Until the October 1961 disability and industrial disability retirement rolls, all persons who retired for either ordinary or industrial disability were subject to a common earnings test related to earnings in employment not subject to System membership.

Under provisions of AB 943, Chapter 2169, Statutes of 1961, effective September 15, 1961, the disability earnings test was removed for all industrial disability retirements under the System, for those who had already retired as well as to prospective industrial retirements. The earnings test, however, continued with respect to either miscellaneous members or safety members who retired under ordinary (non-industrial) disability.

Monthly disability allowances are made up of either two or three elements, the life annuity from the member's contributions and interest, and a pension current service, or if prior service was performed (service before the System began or the contract with a public agency began) then the allowance would include a pension prior service. The pension portions are paid by the employer.

Under the earnings test the pension (employer) portion of the allowance is reduced if the monthly outside gross earnings plus the pension portion of the allowance is greater than the current salary earnable in the position from which the employee retired. The pension portion (employer share) could be reduced up to the total of the monthly pension amount. Irrespective of the outside earnings the annuity portion (allowance payable from member contributions and interest) continues payable in full to the retired member. The earnings test does not affect benefits that may become payable to the survivor of a member retired for disability.

The earnings test was operative for industrial disability retirement from the first month of retirement until the earliest age of service retirement; age 50, for State safety members; and, age 55, for most public agency safety members.

**SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO ALLOWANCES
PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?**

(Cont.)

FACTS:

Under the Public Employees' Retirement System safety members of the System (Patrol, Forestry, Fish & Game Warden, Law Enforcement, Policemen, Firemen, County Peace Officers) are entitled to industrial disability (and industrial death) benefits. About 33,000 of the approximate 400,000 current System members have industrial disability benefit coverage. (See Exhibit A for safety membership in the System as of June 30, 1968) There were 1,539 industrial disability retirements on the System's May, 1969 retirement allowance roll. The average allowance being paid was \$326.00 per month. (Exhibit B shows data on recent individual industrial disability cases.)

Under the general provisions of the Labor Code, temporary and permanent disability benefits are provided and provision may also continue for medical treatment. Under other provisions of the Labor Code, most System safety members are entitled to up to one year of absence on full salary for purposes of recuperation from industrial injuries. The System does not administer these benefits. These benefits are payable by the Labor Code insurer, or in the case of the salary, payable by the employer directly.

The System becomes involved in an industrial case usually after the foregoing benefits have been provided and an application for retirement is received from the safety member. Under the Retirement Law, "disability" means disability of permanent or extended and uncertain duration, as determined by the Board on the basis of competent medical opinion. The test of disability is as to the duties of the position in which he was employed.

The System benefit payable as a result of industrial disability retirement is a life allowance equal to one-half of final compensation (average salary rate of the highest three consecutive years). All State safety members (about 10,500) and about 10% of the public agency safety members (2,500 of 22,500 total) have one-half of this allowance continued to certain survivors for life or in the case of children, to age 18.

About 25% of the System's safety members have benefit formulae which are correlated to Federal Social Security coverage. As the safety member retires for industrial disability, and has Social Security coverage with a System employer, then the amount of the System allowance (pension portion) is reduced or "offset" by the amount of any Social Security pension benefit payable.

A person retired for industrial disability is precluded from employment by any employer participating under the System. He is not prohibited from, nor does he suffer any penalty because of, employment with any other employer, public or private.

He receives his allowance only during disability, and is subject to re-examination until he attains minimum age for service retirement. (Age 50 for State safety members; age 50 or 55 for local safety members, depending on contract provision).

He may also apply for reinstatement from retirement up to mandatory retirement age. If re-examination shows cessation of disability (on involuntary examination) or ability to perform the duties of the position for which the

SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO ALLOWANCES
 PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?
 (Cont.)

member is applying for reinstatement, the member's allowance is terminated. Involuntary reinstatement for a state member provides a right to return to the position from which retired. Right of a local safety member to reinstatement to his position under these conditions depends on local civil service provisions, if any.

The following is a comparison of the total persons retired under this System for industrial disability for each of the fiscal years shown compared to the total safety membership (number of prison members with industrial coverage not known):

Fiscal Year	Persons Retired For Industrial Disability	No. of Safety Members	% Industrial Disability Retirements of Total Safety Membership
1960-61	61	17,800 *	.343%
1961-62	67	19,200 *	.349%
1962-63	98	20,705	.473%
1963-64	116	22,851	.508%
1964-65	167	24,614	.678%
1965-66	141	27,178	.519%
1966-67	210	29,182	.720%
1967-68	218	31,114	.701%

(* Estimated--Actual Data Not Available. Estimate based on projection from count of 13,900 safety members 6-30-58).

Since the year ending June 30, 1961, the rate of industrial disability retirement (last column above) has doubled relative to safety membership.

Although the cause of the increase in industrial disability retirements is not absolutely attributable to the removal of the earnings test, the change in higher numbers of such benefits has occurred subsequent to that removal.

DISCUSSION:

The requirement for disability retirement is inability to perform the duties of the position held. Most of the employments to which the right of industrial disability retirement attach require high physical standards, so that a member may be entitled to industrial disability retirement while possessing capacity to fully perform in other employments. Ability to qualify on the basis of less severe impairment tends to increase the number of cases based primarily on subjective complaints, and in which motivation may be critical. The result in such cases may be a subsidized occupational change, loss of

**SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO ALLOWANCES
PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?
(Cont.)**

services of a trained employee capable of performing his job if motivated to do so, or outright imposition on the employer by an employee knowingly capable of performing.

The doubling of the incidence of industrial disability retirements since the removal of the earnings test eight years ago is an indicator of its effectiveness as a deterrent or restraint in connection with effective administration of the retirement test. It permits the retirement allowance to serve as a subsidy for an occupational change for a member retaining substantial physical capacity. It lessens inducement of a member to retire when he is in fact capable of performing. It imposes no hardship on any member since it never works to reduce total income below what it would have been had he continued in his employment. The severely disabled is not affected. The member does not lose workmen's compensation rights, and accordingly the functioning of the retirement allowance as a subsidized occupation change for members not severely disabled and not at retirement age is appropriate. The average cost of an industrial disability retirement is in the area of \$60,000 to \$70,000. This seems over-generous for a member who is able to perform in other employment at possibly greater salaries.

Avoidance of an unnecessarily high incidence of retirement, and reducing the cost for members marginally disabled, also may enable employers to provide some improvement in benefits for the more severely disabled without increasing total outlay for this benefit. Finally, in its absence, employers under the System are penalized. These employers cannot realize any benefit from services of a trained employee, since the employee must surrender his allowance and retired status totally to work for such an employer, but subsidizes the employment of another employer not participating in the System.

RECOMMENDATIONS:

1. That the "earnings test" be restored to industrial disability retirements;
2. Alternatives:
 - (a) Alteration of the disability test to require a greater degree of impairment of physical capacity or greater assurance of disability. Possibilities include; (1) A requirement that there be objective evidence of disability, thus precluding findings of disability on purely subjective complaints; and (2) A specified minimum permanent disability rating under the workmen's compensation laws.
 - (b) Elimination of an improved allowance because disability is service-incurred, and substitution of improved scale of workmen's compensation benefits. This would permit recognition of degrees of disability.
 - (c) Initiation of an effective rehabilitation program in an effort to salvage remaining capacity. Effort at rehabilitation could be made a condition of retirement, and retirement benefits integrated or coordinated with progress of rehabilitation.
 - (d) An in-depth study be made considering expanded pre-employment medical examinations, benefits provided, redefinition of "disability", continuance in another State employment for which the employee has been rehabilitated through direct action by his employer, and a correlated earnings test.

APPENDIX EXHIBIT E-1

SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO ALLOWANCES
PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?
(Cont.)

SAFETY MEMBERSHIP IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 1968

SAFETY MEMBERS

	Percent System Members	Total	State	City	County	Districts
Full Formulae						
California Highway Patrol-- Age 55	1.3%	5,050	5,050			
Forestry Safety--Age 60	.2%	622	622			
Forestry Safety--1/60	.3%	982	982			
Warden Safety--Age 60	--	86	86			
Warden Safety--1/60	--	128	128			
Law Enforcement--Age 55	--	69	69			
Local Safety--Age 55	4.3%	16,560		14,834	1,293	433
Local Safety--Age 55 Money Value	--	39		39		
Total Full Formulae	6.1%	23,536	6,937	14,873	1,293	433
Modified and Supplemental Formulae¹						
Forestry Safety--1/90-1/60	.8%	2,540	2,540			
Warden Safety--1/90-1/60	--	44	44			
Law Enforcement--Age 55 Modified	--	90	90			
Local Safety--Age 55 Modified	.5%	1,948		1,575	133	240
Local Safety--Age 55 Supplemental	.1%	466		303	127	36
Local Safety--1½% @ 60 Supplemental	.6%	2,490		1,972	298	220
Total Modified and Supplemental	2.0%	7,578	2,674	3,850	558	496
TOTAL SAFETY MEMBERS	8.1%	31,114	9,611	18,723	1,851	929

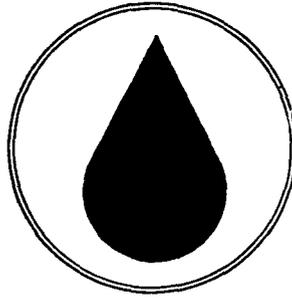
¹ About 24% of safety members have Social Security Coverage. Formula for service retirement is correlated to Social Security; industrial disability allowances reduced by Social Security pension under both coordinated and supplemental formulae.

SHOULD THE EARNINGS TEST BE RESTORED TO APPLY TO ALLOWANCES PAYABLE UNDER PROSPECTIVE INDUSTRIAL DISABILITY RETIREMENTS?
(Cont.)

RANDOM SAMPLES OF RECENT INDUSTRIAL DISABILITY RETIREMENTS

CLASS	DISABILITY	AGE AT RETIRE.	SERVICE AS A MEMBER (YEARS)	LAST SALARY RATE (PER MO.)	FINAL COMP.	ALLOWANCE ELECTED	NET AMOUNT	LIFE ALLOWANCE FOR SURVIVOR	AMT.	MEMBER CONTRIB. & INT.	EMPLR. RESERVE	TOTAL BENEFIT RESERVE	% ALWS. TO FINAL COMP.	% ALWS. TO LAST SALARY
<u>Policemen</u>														
Police Chief	Heart	50 1/4	19.625 (Nearly all Prior Svc.)	\$1,213	\$1,082	Option 1 (S.S. Offset Applied)	\$370	None	None	\$ 621	\$58,113	\$58,733	34%	31%
Policeman	Mental	29 1/2	8.700 (5 yrs. prior svc.)	\$ 777	\$ 747	Unmod.	\$374	None	None	\$ 1,346	\$77,130	\$78,476	50%	48%
Policeman	Wrist	25	2.747	\$ 828	\$ 729	Unmod.	\$364	One-Half Contr.	\$182	\$ 1,524	\$91,689	\$93,214	50%	44%
<u>Firemen</u>														
Fire Fighter	Heart	50 1/4	16.342	\$ 807	\$ 733	Option 1	\$355	None	None	\$16,390	\$41,660	\$58,051	48%	44%
Fire Captain	Lungs	59 1/2	12.705 (Over 11 yrs. prior svc.)	\$ 972	\$ 853	Option 3 (S.S. Offset action pending)	\$332	Option 3	\$166	\$ 2,249	\$49,781	\$52,030	33% (- S.S. Offset if later applied)	34%
Fire Engineer	Back	47 1/4	11.900	\$ 969	\$ 891	Option 1	\$437	None	None	\$13,539	\$57,674	\$71,213	49%	45%
<u>Highway Patrol</u>														
Traffic Officer	Back	38 3/4	8.347	\$ 842	\$ 763	Option 1	\$381	One-Half Contr.	\$191	\$ 6,840	\$79,047	\$85,887	50%-	45%
Traffic Officer	Ulcer	48 3/4	9.855	\$ 842	\$ 782	Option 1	\$388	One-Half Contr.	\$195	\$ 9,549	\$52,983	\$62,533	50%-	46%
<u>Forestry</u>														
Foreman II	Back	55	5.198	\$ 905	\$ 734	Option 1	\$366	One-Half Contr.	\$183	\$ 2,545	\$57,298	\$59,843	50%-	40%
Fire Prevention Officer II	Heart	53 1/2	26.423	\$ 905	\$ 807	Unmod.	\$403	One-Half Contr.	\$202	\$11,357	\$64,945	\$76,911	50%	45%

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES



The Governor's Program To
REDUCE OCCUPATIONAL INJURIES

January 26, 1970

TO: ALL STATE DEPARTMENTS

SUBJECT: GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURY

During the next three years, the Governor's Program to Reduce Occupational Injuries will initiate the newest, most dynamic concepts ever applied to accident loss prevention in the State of California. The Program is now underway. You and your associates are invited to attend the Governor's official ceremony in the Capitol rotunda at 12:00 noon on February 2, 1970. This ceremony will introduce a program of events designed to give statewide visibility to the total commitment that exists - a commitment by employee organizations and all levels of State Government to these Program objectives: To reduce the frequency and costs of occupational injuries and, concurrently, to reduce the physical suffering and economic hardship experienced by injured employees and their families.

This is the first in a series of communications dealing with specific facets of our statewide effort. The Governor's Policy statement with the Program Outline is attached and the contest format - a vital incentive to total involvement - is enclosed. Distribution of promotional and resource material will be timed to start with the Governor's Ceremony.

The success of this significant all-out effort will be directly dependent upon your contribution. Our goals are both realistic and attainable. Our Program symbol, the stylized drop of blood, will become synonymous with the prevention of needless waste of our most valuable resource - people.

The challenge of the Governor's Program is inescapable. Together, we will meet it successfully.

A large, stylized handwritten signature in black ink, appearing to read 'Paul B. Cossaboon'.

PAUL B. COSSABOON
 Program Manager

801 Capitol Mall • Sacramento, CA 95814 • Phone (916) 445-4968

Attachments

Memorandum**GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES
(Cont.)**

To : HEADS OF AGENCIES, DEPARTMENTS,
MAJOR UNITS AND ALL STATE EMPLOYEES

Date : January 26, 1970

Subject: PROGRAM TO REDUCE
OCCUPATIONAL INJURIES

From : Governor's Office

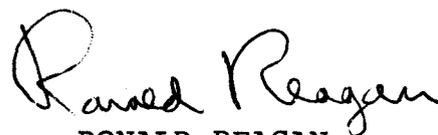
Last year, 3,722 state employees suffered job-related disabling injuries and 22 died. As a result, 91,566 productive work-days were lost.

Not only do these statistics represent physical and economic hardship beyond calculation for our employees and their families, but the effect upon efficient government operations is equally devastating. The impact is further intensified by the realization that many, or possibly all, of the events which caused these injuries and deaths could have been prevented. This condition cannot be allowed to continue. For this reason, I have asked Paul B. Cossaboon, of the State Compensation Insurance Fund, to head the Governor's Program to Reduce Occupational Injuries--an all-out effort by every unit of state government to control this needless waste of human resources. The objective will be--and it must be accomplished--to reduce the disabling injury rate by a minimum of 10% per year.

The Cabinet will review progress of the program on a regular basis. Each report will receive my personal attention.

I urge every administrator, every supervisor and every employee throughout the state to give the highest priority to achieving our objective. The impact upon our lives and the quality of our services will be significant.

Sincerely,



RONALD REAGAN
Governor

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES
(Cont.)

STATE OF CALIFORNIA

A POSITIVE PROGRAM
TO REDUCE OCCUPATIONAL INJURIES

I. ESSENTIALS OF THE PROGRAM

1. The issuance of a Governor's policy statement instituting the Program to Reduce Occupational Injuries in State service.
2. The periodic review by the Governor's Cabinet of the departmental occupational injury rates and the effectiveness of departmental accident reduction programs.
3. The setting of departmental goals by each director in fulfilling his responsibility for the reduction of occupational injury rates, and the establishment of policies, directives, and follow-up to obtain results.
4. The development of a positive departmental accident reduction program which is tailored to meet specific departmental problems and normally includes:
 - a. Assurance that the injured employees will receive prompt and effective medical treatment.
 - b. Procedures to identify the causes of injuries and a funded program to eliminate or minimize the hazards identified.
 - c. Supervisory practices that demonstrate a sincere interest in the employee's recovery by: (1) maintaining personal contact with the disabled employee and his dependents, (2) arranging for return to some productive work assignment as soon as it is medically advisable, (3) identifying when rehabilitation services may be desirable, and (4) maintaining contact with the employee during any rehabilitation or retraining and assisting in his placement in State employment.
 - d. Training for managers and supervisors in the administration of effective accident reduction programs.

II. PROGRAM OBJECTIVES

To effect an average reduction of 10% a year in the rate of disabling occupational injuries per 1,000,000 man-hours worked for the next three years.

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES

A Positive Program to Reduce Occupational Injuries - contd.

(Cont.)

<u>1969 Annual Frequency Rate</u>	<u>1970 Departmental Minimum Goal for Reduction</u>
15.0 or higher	15%
10.0 to 14.9	10%
5.0 to 9.9	7%
0.0 to 4.9	Maintain Same Rate

III. RESPONSIBILITYThe Governor

1. To issue a policy statement instituting the Program to Reduce Occupational Injuries.
2. To establish a formal recognition plan for outstanding safety achievements by State departments.

Governor's Cabinet Members

1. To hold each department head accountable for achieving the occupational injury reduction goals of his department.
2. To review each department's accident rates as compared with its goals and encourage the initiation of new programs when the department's goals are not met.
3. The Secretary, Agriculture and Services Agency, to be responsible for coordinating this program.

Department Heads

1. To establish and publish department goals and policies for reduction of occupational injuries.
2. To allocate funds, time, and other resources needed to achieve departmental accident prevention goals.
3. To establish practices which call for follow-up by a supervisor with his injured employees to assure that proper treatment is provided, that rehabilitation services are offered when needed, and to assist the employee to return to temporary light duty as soon as it is medically feasible.
4. To provide managers and supervisors with safety training and technical safety staff services.

APPENDIX EXHIBIT E-2

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES

(Cont.)

A Positive Program to Reduce Occupational Injuries - contd.

5. To encourage and recognize employees who develop safety devices and safe practices in the areas in which they work.
6. To include occupational injuries and responsibility for accident prevention in performance appraisals for individuals, supervisors, and managers.

State Personnel Board

1. To offer technical staff services to State managers in carrying out this program, through the State Safety Coordinator, State Medical Officer, and the Coordinator of Services to Handicapped Persons.
2. To maintain appropriate standards for health and physical fitness for entry into the State service. To advise departments on in-service standards of health and physical fitness and on utilization of employees within their capability and physical limitations.
3. To advise on utilization of employees on temporary duty assignments during recovery from injury. To assist permanently disabled employees in rehabilitation and placement in State employment.
4. To prepare and distribute statistical data and reports to keep management informed of the status of this program.

State Compensation Insurance Fund

1. To facilitate and encourage communication between the disabled employee, the attending physician, and department supervisors.
2. To participate in the early identification of employees with probable permanent disability and to assist department supervisors in effecting their rehabilitation.
3. To assist departments in promoting safe practices by providing safety information materials.
4. To make analysis of claims for cause and effects of accidents and offer advice on the improvement of this program.

Department of Industrial Relations - Division of Industrial Safety

1. To provide minimum standards for safety in places of employment.
2. To provide inspection of State facilities, both State-owned and rented, for compliance with safety standards.
3. To provide technical advice and training assistance with accident problems upon request or complaint.

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES

A Positive Program to Reduce Occupational Injuries - contd.

(Cont.)

Department of Rehabilitation

1. To evaluate and diagnose the extent of disability and determine a vocational program to retrain employees who develop physical limitations on the job, when requested by the employee or his supervisor.
2. To participate with State departments and the Personnel Board to find suitable positions in State employment for State employees with physical limitations.

Department of Public Health

To provide technical study, laboratory work, and consultation on occupational health problems, when requested by State departments.

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES
(Cont.)

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURY

CONTEST

TIME PERIODS:

January 1, 1970 - December 31, 1970

January 1, 1971 - December 31, 1971

January 1, 1972 - December 31, 1972

GOALS: Minimum goals for each department will be established on the following basis:

1969 Annual Frequency Rate*	1970 Department Minimum Goal for Reduction
15.0 or higher	15%
10.0 to 14.9	10%
5.0 to 9.9	7%
0.0 to 4.9	Maintain Same Rate

*Calendar 1969 frequency rates will be provided each department as soon as available. Meanwhile, latest data, Fiscal 1968-69, will be used.

AWARDS:

Awards will be made by the Governor to the two departments in each division having achieved the highest percentage of their goals each year.

Quarterly Awards will be made to the Agency with the highest and lowest percentage achievement toward the goal at the quarterly Cabinet report.

Special Awards will be made annually to departments for outstanding achievement.

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES
(Cont.)

CONTEST DIVISIONS:

DIVISION A - Over 4 million Man-Hours Annually

<u>Department</u>	<u>Man-Hours -</u> <u>Fiscal 1968-69</u>	<u>Frequency Rate -</u> <u>Fiscal 1968-69</u>
Conservation	13,487,851	19.5
Corrections	12,394,740	12.5
Equalization	4,464,984	5.4
General Services	7,276,662	21.3
Highway Patrol	13,244,714	49.8
Human Resources Development	15,827,824	4.5
Mental Hygiene	36,001,767	36.8
Motor Vehicles	11,946,161	10.6
Public Works	36,718,984	9.7
Water Resources	8,180,636	10.1
Youth Authority	6,343,570	13.9

DIVISION B - 1 million to 4 million Man-Hours Annually

<u>Department</u>	<u>Man-Hours -</u> <u>Fiscal 1968-69</u>	<u>Frequency Rate -</u> <u>Fiscal 1968-69</u>
Agriculture	3,591,482	10.3
Compensation Insurance Fund	3,226,968	1.6
Controller	1,068,017	4.6
Education	3,953,007	15.4
Fish and Game	2,506,826	22.7
Franchise Tax	3,011,468	4.0
Industrial Relations	2,875,021	11.1
Justice	2,935,392	11.6
Parks and Recreation	3,063,900	16.0
Professional and Vocational Standards	1,277,067	15.7
Public Health	2,820,639	5.0
Public Utilities	1,416,564	1.4
Rehabilitation	3,886,955	1.8
Social Welfare	3,232,492	7.7
Veterans Affairs	1,663,721	18.6

GOVERNOR'S PROGRAM TO REDUCE OCCUPATIONAL INJURIES

(Cont.)

CONTEST DIVISIONS: (Continued)

DIVISION C - 250 thousand to 1 million Man-Hours Annually

<u>Department</u>	<u>Man-Hours - Fiscal 1968-69</u>	<u>Frequency Rate - Fiscal 1968-69</u>
Alcoholic Beverage Control	779,581	5.1
Corporations	536,622	3.7
Employees' Retirement System	556,817	1.8
Finance	470,281	2.1
Health Care Services	395,158	0.0
Insurance	524,898	3.8
Legislative Counsel Bureau	252,113	0.0
Military	613,172	3.3
Personnel Board	957,555	0.0
Real Estate	405,377	2.5
Savings and Loan	319,686	0.0
Teachers' Retirement	279,428	0.0
Water Resources Control Board	358,700	5.6

DIVISION D - Under 250 thousand Man-Hours Annually

<u>Department</u>	<u>Man-Hours - Fiscal 1968-69</u>	<u>Frequency Rate - Fiscal 1968-69</u>
Aeronautics	37,247	0.0
Air Resources	104,852	9.5
Banking	143,645	13.9
Commerce	179,192	0.0
Disaster Office	126,438	7.9
Fire Marshal	153,762	6.3
Horse Racing Board	42,804	0.0
Housing and Community Development	231,039	17.3
Navigation and Ocean Development	141,276	0.0
Secretary of State	189,179	0.0
Treasurer	98,138	20.4

APPENDIX EXHIBIT F-1

WORKMEN'S COMPENSATION CLAIMS AND INCURRED LOSSES-BY AGENCY AND DEPARTMENT
(1957-58 COMPARED WITH 1967-68)

	1957-58		1967-68		% Increase/ (Decrease)
	Claims	Incurred Losses	Claims	Incurred Losses	
Human Relations Agency					
Corrections	237	\$ 35,383	544	\$ 892,490	2422
Employment	107	14,639	356	140,504	860
Mental Hygiene	3,080	816,966	2,862	2,212,834	170
Youth Authority	150	23,932	438	149,130	523
Other Departments & Offices	170	54,788	276	83,254	52
Total--Human Relations	3,744	\$ 945,708	4,476	\$3,478,212	268
Resources Agency					
Forestry	1,264	\$ 160,103	1,213	\$ 421,640	163
Fish and Game	231	64,555	190	165,997	157
Parks and Recreation	201	13,335	316	116,331	772
Water Resources	165	11,288	(insured)		
Other Departments & Offices	14	4,846	23	1,403	(245)
Total--Resources Agency	1,875	\$ 254,127	1,742	\$ 705,371	178
Business & Transportation Agency					
California Highway Patrol	850	\$ 296,382	1,319	\$1,474,539	398
Public Works--Highways	1,456	430,368	2,105	1,069,677	149
Other Departments & Offices	21	10,129	59	20,159	99
Total--Business & Transp.	2,327	\$ 736,879	3,483	\$2,564,375	245
Agriculture & Services Agency					
Agriculture	93	\$ 14,867	85	\$ 41,822	181
General Services	75	29,134	271	86,102	196
Other Departments & Offices	178	15,872	232	51,200	222
Total--Agriculture & Services	346	\$ 59,873	588	\$ 179,124	200
Other Governmental					
Education	133	\$ 26,245	116	\$ 48,520	85
Justice	23	298	83	81,231	27,160
Military	52	98,733	150	43,117	(56)
Miscellaneous Other	186	73,506	139	24,961	
Total--Other Governmental	394	\$ 198,782	488	\$ 197,829	(0.5)
State Colleges	285	\$ 55,238	1,094	\$ 401,642	628
TOTAL--SELF-INSURED	8,971	\$2,250,607	11,871	\$7,526,553	235
University of California	2,055	\$ 311,242	3,407	\$1,321,005	325
Department of Agriculture (pt)	84	25,955	66	42,450	63
Water Resources	9	288	393	223,058	
General Services (part)			141	43,230	
Dept. of Motor Vehicles			549	107,177	
Other Insured	170	32,635	246	192,793	
TOTAL INSURED	2,318	\$ 370,120	4,802	\$1,929,713	421
GRAND TOTAL	11,289	\$2,620,727	16,673	\$9,456,266	261

Note: 1957-58 data rearranged to compare with present agency organization.

WORKMEN'S COMPENSATION
 DISABLING INJURIES -- NUMBER, INCURRED LOSSES, AVERAGE COST PER CASE
 (1964-65 TO 1967-68 INCLUSIVE)

	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>	<u>Four Year Total</u>	<u>% of</u> <u>Losses</u>
<u>Heart Cases</u>						
Number Claims	118	145	134	111	508	
Incurred Losses	\$ 831,691	\$1,056,730	\$1,215,342	\$1,169,792	\$4,273,555	14.3%
Cost Per Case						
Medical	\$ 1,806	\$ 1,696	\$ 2,475	\$ 3,177	\$ 2,251	
Compensation	5,242	5,592	6,595	7,362	6,162	
Total	<u>\$ 7,048</u>	<u>\$ 7,288</u>	<u>\$ 9,070</u>	<u>\$ 10,539</u>	<u>\$ 8,413</u>	
<u>Back Cases</u>						
Number Claims	1,002	1,156	1,166	1,229	4,553	
Incurred Losses	\$2,119,522	\$2,161,310	\$2,320,867	\$2,774,341	\$9,376,040	31.6%
Cost Per Case						
Medical	\$ 712	\$ 602	\$ 703	\$ 791	\$ 703	
Compensation	1,403	1,268	1,287	1,466	1,356	
Total	<u>\$ 2,115</u>	<u>\$ 1,870</u>	<u>\$ 1,990</u>	<u>\$ 2,257</u>	<u>\$ 2,059</u>	
<u>Other Injuries</u>						
Number Claims	2,626	2,886	3,204	3,229	11,945	
Incurred Losses	\$3,381,560	\$3,757,336	\$3,846,844	\$5,067,927	\$16,053,667	54.1%
Cost Per Case						
Medical	\$ 416	\$ 463	\$ 447	\$ 600	\$ 486	
Compensation	872	839	754	970	857	
Total	<u>\$ 1,288</u>	<u>\$ 1,302</u>	<u>\$ 1,201</u>	<u>\$ 1,570</u>	<u>\$ 1,343</u>	

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APPENDIX EXHIBIT F-2

WORKMEN'S COMPENSATION DISABLING INJURIES -- NUMBER, INCURRED LOSSES, AVERAGE COST PER CASE
(1964-65 TO 1967-68 INCLUSIVE)

	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>	<u>Four Year Total</u>	
						<u>% of Losses</u>
<u>All Disabling Injuries</u>						
Number Claims	3,746	4,187	4,504	4,569	17,006	
Incurred Losses	\$6,332,773	\$6,975,376	\$7,383,053	\$9,012,060	\$29,703,262	100%
Cost Per Case						
Medical	\$ 539	\$ 544	\$ 574	\$ 714	\$ 596	
Compensation	<u>1,152</u>	<u>1,122</u>	<u>1,065</u>	<u>1,258</u>	<u>1,151</u>	
Total	\$ <u>1,691</u>	\$ <u>1,666</u>	\$ <u>1,639</u>	\$ <u>1,972</u>	\$ <u>1,747</u>	

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NOTE: Disabling injuries are injuries causing loss of time of one or more days beyond day of injury.

SOURCE: Derived from State Compensation Fund data on all Insured and Uninsured State Agencies (including colleges and universities).

APPENDIX EXHIBIT F-2

SUMMARY OF RETIREMENTS FOR SERVICE, DISABILITY, AND INDUSTRIAL DEATHS
(1963-64 to 1967-68)

Public Employees' Retirement System	Members at End of Year	Net Retirements For The Year					
		Service		Disability		Industrial Death	
		Number	Per 100 Members	Number	Per 100 Members	Number	Per 100 Members
1. Miscellaneous (State, U. C. and Public Agencies)							
1963-64.....	288,505	3,710	1- .78	(1) 336	1-8.59	6	1-480.84
1964-65.....	302,157	3,621	1- .83	352	1-8.58	12	1-251.80
1965-66.....	323,105	4,134	1- .78	414	1-7.80	16	1-201.94
1966-67.....	337,378	4,238	1- .80	510	1-6.62	5	1-674.76
1967-68.....	353,947	4,570	1- .77	660	1-5.36	9	1-393.27
2. California Highway Patrol				(2)			
1963-64.....	2,852	32	1- .89	30	1- .95	12	1- 2.38
1964-65.....	2,983	32	1- .93	55	1- .54	8	1- 3.73
1965-66.....	3,624	26	1-1.39	33	1-1.10	3	1- 12.08
1966-67.....	4,475	26	1-1.72	53	1- .85	3	1- 14.92
1967-68.....	5,050	27	1-1.87	61	1- .83	4	1- 12.63
3. Forestry				(2)			
1963-64.....	3,948	16	1-2.47	4	1-9.87	3	1- 13.16
1964-65.....	4,049	10	1-4.05	9	1-4.50	5	1- 8.10
1965-66.....	4,216	12	1-3.51	10	1-4.22	5	1- 8.43
1966-67.....	4,192	10	1-4.19	13	1-3.22	4	1- 10.48
1967-68.....	4,144	19	1-2.18	8	1-5.18	4	1- 10.36
4. Warden				(2)			
1963-64.....	263	3	1- .87	1	1-2.63	--	----
1964-65.....	262	2	1-1.31	--	----	2	1- 1.31
1965-66.....	269	4	1- .67	1	1-2.69	1	1- 2.69
1966-67.....	261	3	1- .87	1	1-2.61	--	----
1967-68.....	258	5	1- .52	3	1- .86	1	1- 2.58
5. Law Enforcement				(2)			
1963-64.....	23	6	1- .04	--	----	--	----
1964-65.....	22	2	1- .11	--	----	--	----
1965-66.....	109	2	1- .55	2	1- .55	--	----
1966-67.....	115	3	1- .38	1	1-1.15	--	----
1967-68.....	159	4	1- .40	2	1- .80	--	----
6. Public Agency Safety				(2)			
1963-64.....	15,765	144	1-1.09	96	1-1.60	14	1- 11.26
1964-65.....	16,298	154	1-1.12	121	1-1.43	22	1- 7.86
1965-66.....	18,960	129	1-1.47	103	1-1.84	12	1- 15.80
1966-67.....	20,139	155	1-1.30	145	1-1.39	20	1- 10.07
1967-68.....	21,503	159	1-1.35	175	1-1.22	18	1- 11.95

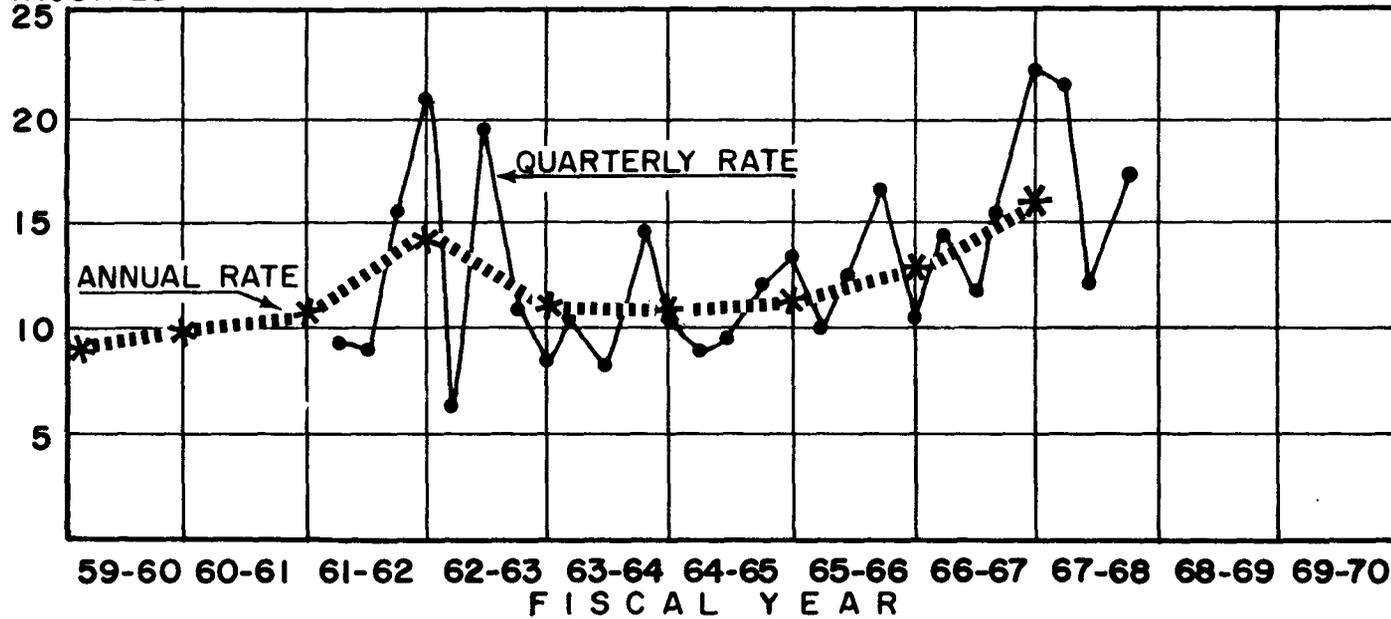
(1) Although these are predominantly non-service connected, there are a few industrial disabilities due to the coverage of prison members having custodial duties.

(2) These are predominantly industrial disability retirements.

DEPARTMENT OF CORRECTIONS EMPLOYEE SAFETY PROGRAM

FREQUENCY RATE OF DISABLING INJURIES PER 1,000,000 HOURS WORKED

FREQ. RATE
DISABLING
INJURIES



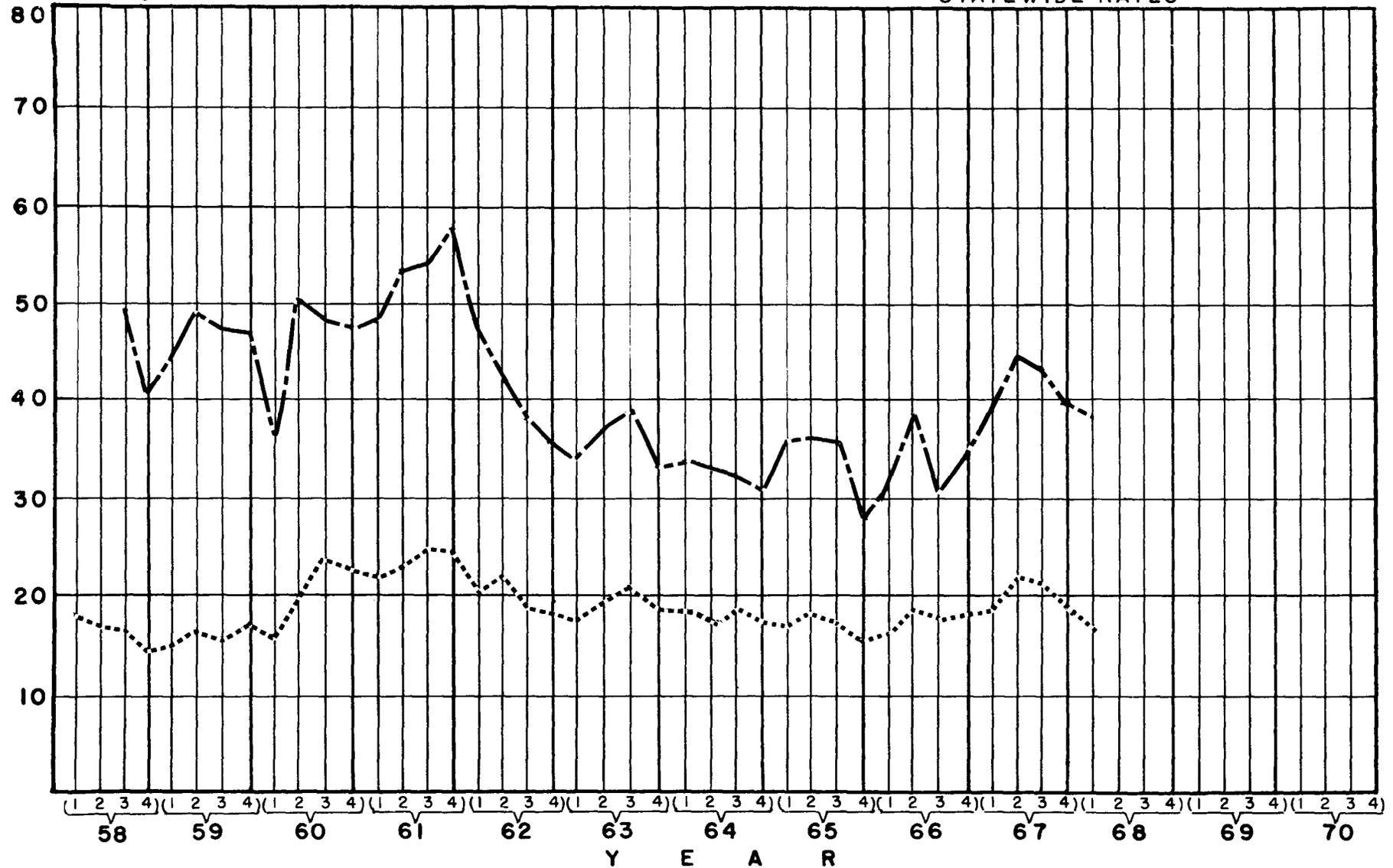
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**FREQUENCY RATES OF DISABLING EMPLOYEE INJURIES
DEPARTMENT OF MENTAL HYGIENE
COMPARED TO STATEWIDE AGENCY RATES
(RATES PER 1,000,000 EMPLOYEE HOURS)**

RATE:
1,000,000
EMPLOYEE HRS.

DEPT. OF MENTAL HYGIENE ———
STATEWIDE RATES ·····

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DATA FROM STATE PERSONNEL BOARD
QUARTERLY TABLE 91 (REV. 5 - 1968)

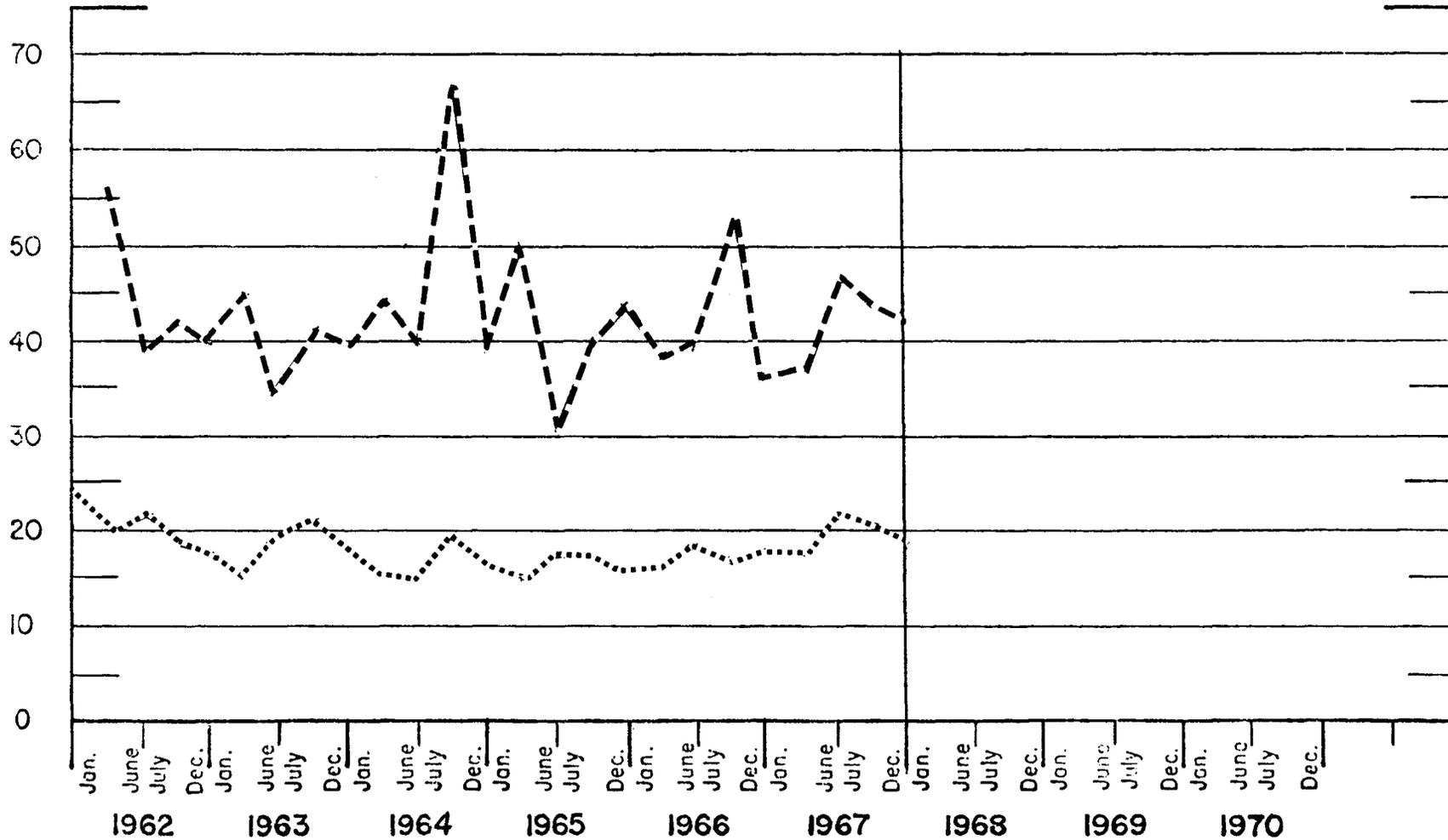
APPENDIX EXHIBIT F-5

DISABLING OCCUPATIONAL INJURIES

FREQUENCY RATE — Number of injuries per 1,000,000 employee hours worked

DEPARTMENT OF CONSERVATION-----
STATEWIDE.....

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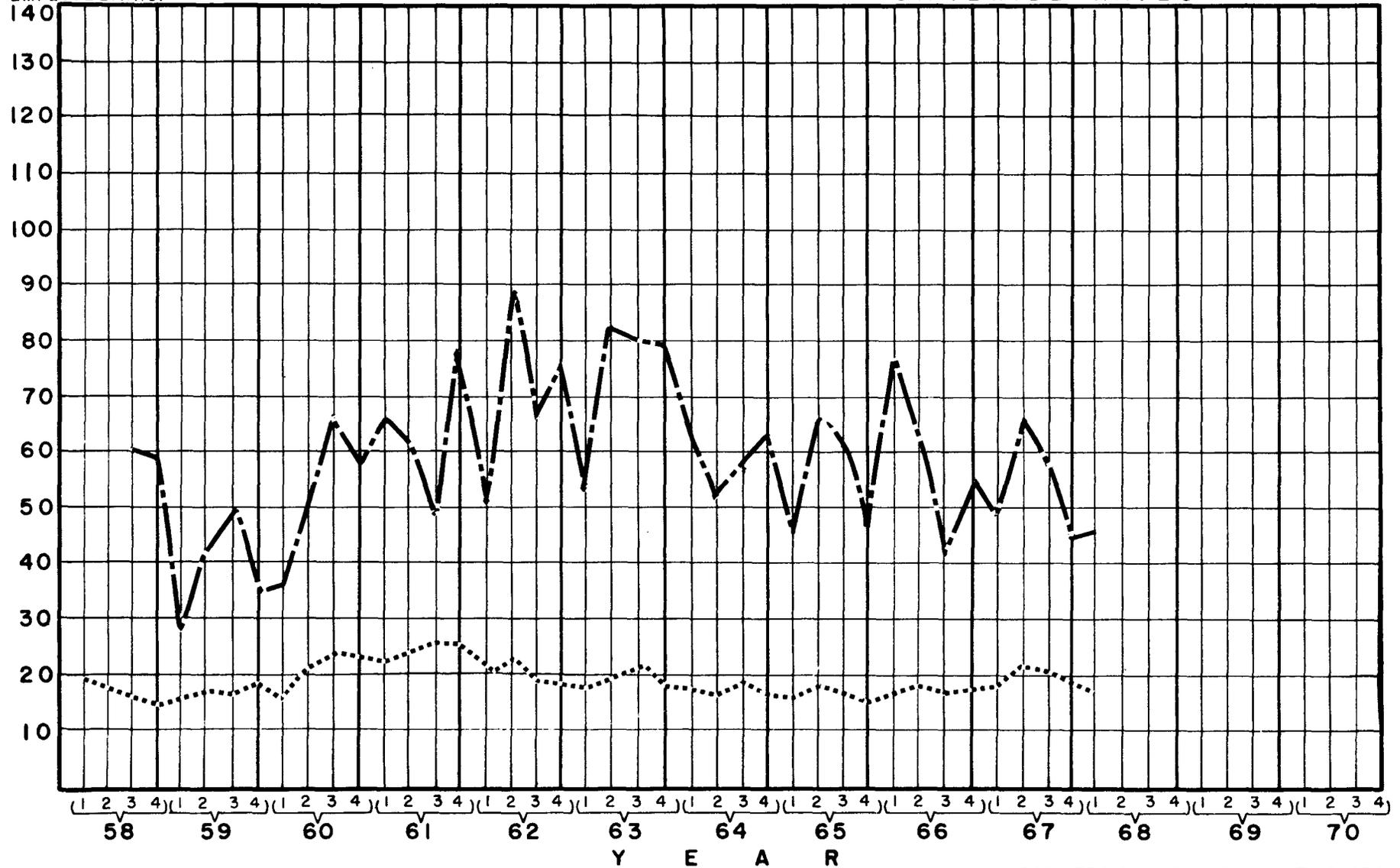


**FREQUENCY RATES OF DISABLING EMPLOYEE INJURIES
DEPARTMENT OF CALIFORNIA HIGHWAY PATROL
COMPARED TO STATEWIDE AGENCY RATES
(RATES PER 1,000,000 EMPLOYEE HOURS)**

RATE:
1,000,000
EMPLOYEE HRS.

DEPT. OF CALIF. HIGHWAY PATROL ———
STATEWIDE RATES ·····

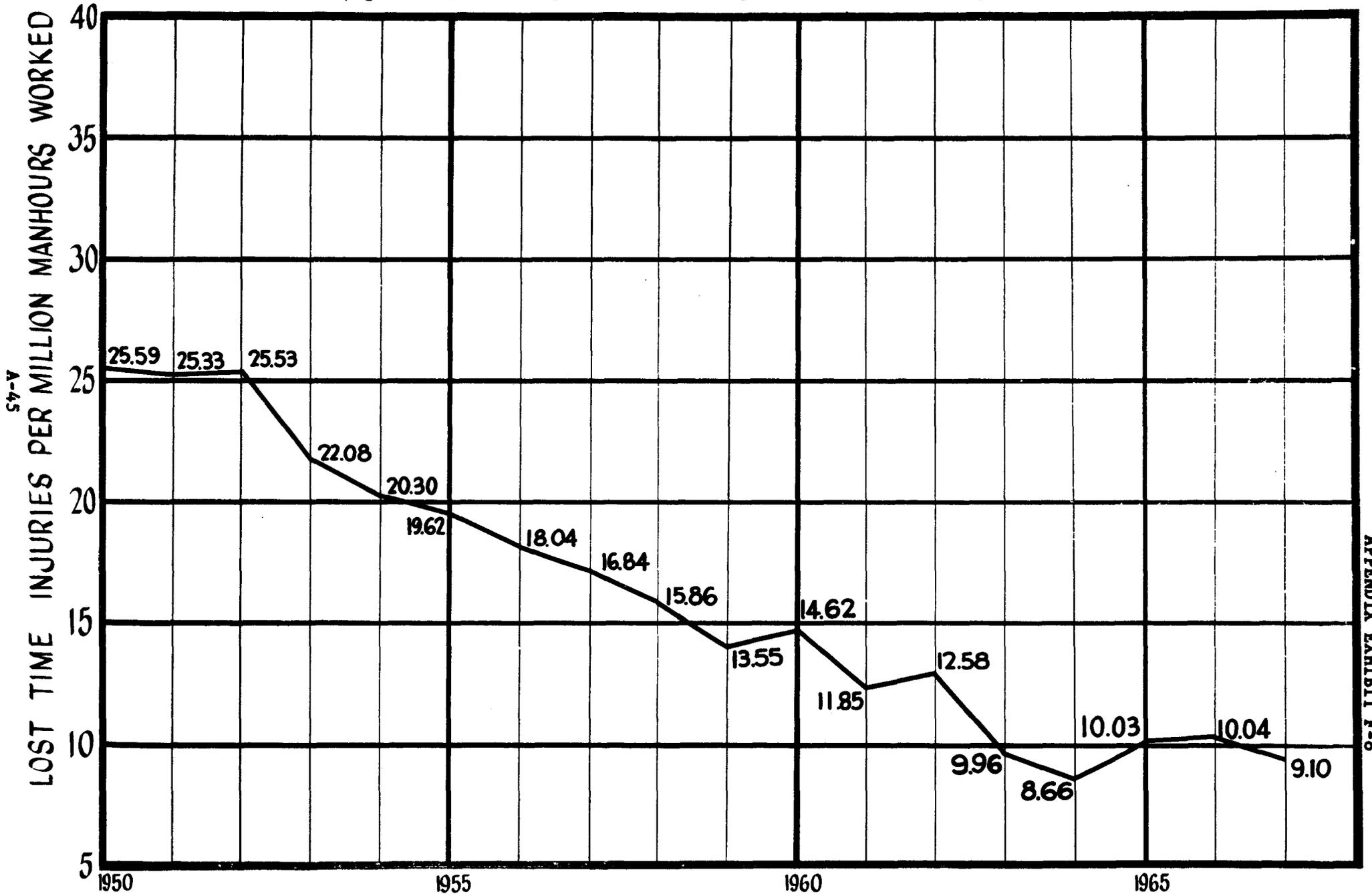
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APPENDIX EXHIBIT F-7

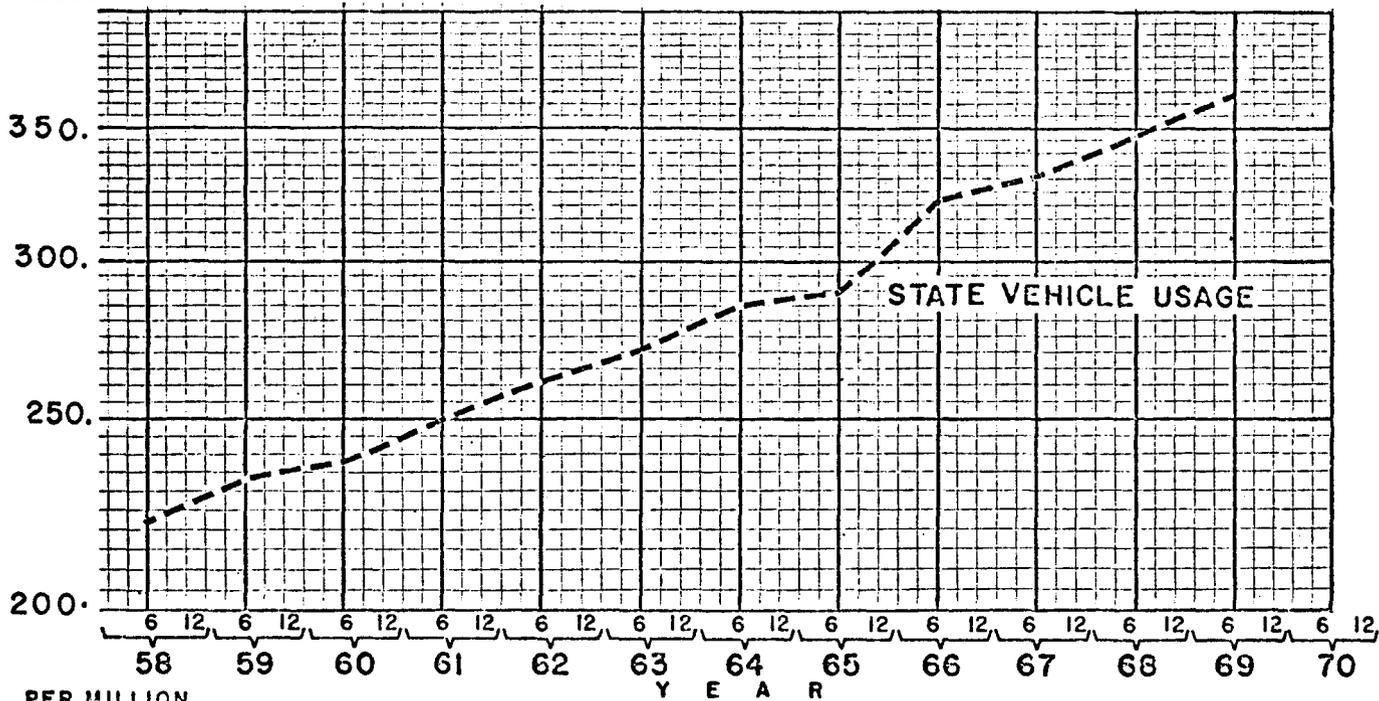
DATA FROM STATE PERSONNEL BOARD
QUARTERLY TABLE 91 (REV. 5-1968)

DIVISION OF HIGHWAYS PERSONAL INJURY ACCIDENT FREQUENCY

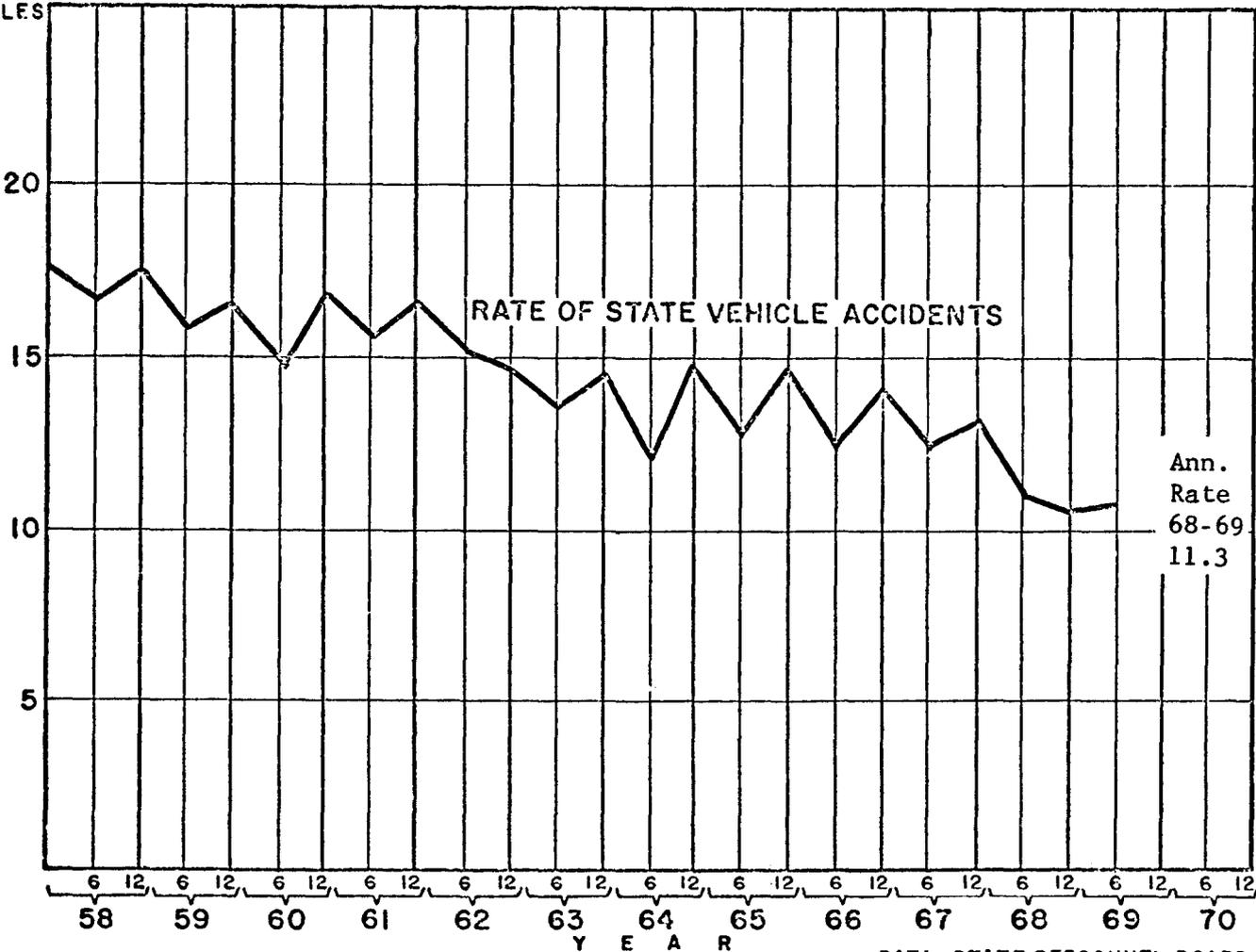


STATEWIDE TOTAL CALIFORNIA STATE VEHICLE ACCIDENTS

MILLION MILES



PER MILLION MILES



DATA: STATE PERSONNEL BOARD TABLE 92-92A (REV. 10-1969)