

Disability Retirement

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Disability Retirement

As your career progresses, so do your financial obligations: a home, a family and children's education. One of the many advantages of your PEERS membership is the financial security provided by PEERS disability benefits. If your career is cut short because of permanent disability, PEERS can often help through the payment of monthly disability benefits.

Eligibility Requirements

If you develop an illness or sustain an injury that totally and permanently prevents you from earning a livelihood in any occupation, you may be eligible for PEERS disability benefits. The cause of your disability does not have to be work-related.

To be eligible for PEERS disability benefits, you must meet the following eligibility requirements:

- Have at least five years of PEERS-covered employment
- Be under age 60
- Become permanently disabled while working in PEERS-covered employment, or within one year after if the condition causing the disability begins while you were employed
- Incapable of earning a livelihood in any occupation (currently defined as earning \$18,000 or more per year)

Ending all employment with PEERS-covered employers and the inability to earn a livelihood in any occupation are prerequisites for approval of a *Disability Retirement Application*. PEERS currently defines a "livelihood" as earning \$18,000 per year.

Temporary or partial disability benefits are not available through PEERS.

If you believe you may be eligible for disability benefits, contact PEERS for a personalized *Benefit Estimate*.

Filing Your *Disability Retirement Application*

If you become disabled, contact PEERS for a *Disability Retirement Application* packet immediately. File the application and related forms as soon as it is determined that the disability will result in the termination of your employment. If you are eligible, disability retirement can be made retroactive up to 60 days before the application filing date, but cannot become effective until your compensated employment or leave of absence ends. If you complete the school year and earn a full year of service, the earliest your retirement can be effective is July 1.

The following steps must be completed before your retirement date. Failure to do so may jeopardize your disability retirement benefits.

Step 1

Request a *Disability Retirement Application* packet from PEERS.

Step 2

Complete and return the following to PEERS:

1. *Disability Retirement Application*
2. *Authorization for the Release of Medical Records* forms for each of the doctors you would like us to contact (minimum of two forms required)
3. *Direct Deposit Authorization for Monthly Benefits* form with a voided check from your checking account or a voided deposit slip from your savings account
4. *Tax Withholding Authorization for Monthly Benefits* form
5. Social Security disability award letter, if you have been approved

Medical Records Requirements

When you file your **Disability Retirement Application**, we need **Authorization for the Release of Medical Records** forms for at least two physicians with whom we will consult to determine your eligibility for PEERS disability benefits.

If we need additional information to make a determination on a total and permanent disability, we may request an examination by an independent examiner, paid for by PEERS.

Approval of your application is based on the PEERS medical advisor's recommendation regarding whether your condition qualifies under Missouri law and meets the System's definition of disability.

Step 3

Submit a copy of your birth certificate issued by the city, county or state of your birth. This is required before disability retirement benefits can be issued. Documentation can be sent to us by mail or electronically using the secure document upload feature in PEERS Web Member Services.

If the birth was recorded in Missouri, you may request a birth certificate from:

Bureau of Vital Records

Missouri Department of Health and Senior Services
 PO Box 570
 Jefferson City, MO 65102
(573) 751-6387

A fee is required for each certificate requested. If you were born in another state, information on how to obtain a certified birth certificate can be found by visiting www.vitalchek.com.

If a birth certificate is not available, you may submit three other forms of verification, with at least one containing your date of birth. Acceptable documents must show your date of birth or your age as of a certain date. Examples include:

- A driver's license
- A hospital birth record
- Military records
- Identification cards that contain your date of birth

or age as of a certain date, issued by a government entity (i.e. state-issued ID for non-drivers)

- The birth certificate of a child on which your date of birth or age is indicated (This must be a document issued by the city, county or state of birth on which the official seal of the issuing agency is affixed.) A copy is acceptable.
- A current passport
- A Certificate of Naturalization
- Statement issued by the Social Security Administration that shows your date of birth or age as of a certain date (Note: A Social Security card does not contain date of birth or age.)

Acknowledgement of Your Disability Retirement Application

PEERS will acknowledge your **Disability Retirement Application**. Most applications are processed within 60 days, but it depends in part on when we receive:

- Required medical information from your physicians
- Salary information from your employer
- Verification of termination of employment from your employer

Please call us if you do not receive acknowledgement of your application.

Disability Benefit Amounts

Monthly disability benefits are 90% of the normal (full) service retirement benefit you would be eligible to receive based on your current salaries and years of service. See pages 42-43 for more information on the service retirement calculation.

Sample Disability Benefit Calculation

Example

Final Benefit Factor	Average Salary	Years of Service	Lifetime Single Life Benefit	Monthly Disability Benefit
1.61%	\$2,550	20	\$821	\$739
$1.61\% \times \$2,550 \times 20 = \$821 \times 90\% = \$739$				

Payment of Your Disability Benefits

PEERS disability benefit payments are paid by direct deposit on the last working day of the month beginning with the month your retirement becomes effective. For example, if you retire effective July 1, you will receive your first benefit on the last working day of July.

If we don't have all of the information we need to process your disability application for the month your retirement is to become effective, you will receive your first payment the month the application process is complete, along with an additional payment for any previous benefits due.

A schedule of deposit dates can be found on our website and is published annually in the PEERS retiree newsletter.

For more information, see the section entitled, *Payment of Retirement Benefits* beginning on page 66.

Cost-of-Living Adjustments (COLAs)

You are eligible for cost-of-living adjustments (COLAs) on your disability retirement benefits beginning the fourth January following your retirement date. For example, if you retire July 1, 2018, you become eligible for COLAs in January 2022.

For more information on COLAs, see pages 66-67.

Income Taxes on Disability Retirement Benefits

Under the Internal Revenue Code (IRC), disability retirement benefits are fully taxable beginning with the first payment, unless you are eligible for PEERS service retirement.

At minimum service retirement age, the IRC provides that any previously taxed contributions may be excluded from taxable income with a small portion of each benefit considered a return of

previously taxed contributions. PEERS will provide this information to you with your estimate of disability benefits.

We cannot advise you on whether you should have taxes withheld from your benefits. However, if your tax withholding is not sufficient to meet your tax liability, you may be subject to penalties and interest charges in addition to your tax obligation. We recommend you consult with the IRS at **(800) 829-1040**, the Missouri Department of Revenue at **(573) 751-3505**, or a tax professional of your choice. For more information on income taxes on disability retirement benefits, see pages 67-69.

Events that Cause Disability Benefits to Stop

You remain eligible for disability benefits for life unless, **prior to reaching age 60**, you:

- Recover from your disability (see page 61)
- Return to employment in any capacity with a PEERS-covered employer
- Can earn a livelihood (currently defined by PEERS as earning \$18,000 or more per year)

Upon reaching age 60, your disability benefits are payable regardless of your disability status, unless you:

- Return to full-time, PEERS-covered employment
- Exceed the hourly limit on part-time or temporary-substitute employment with PEERS-covered employers, detailed on page 73.

Annual Certification of Disability Status

Disability retirees under the age of 60 are required to complete an annual *Certification of Disability Status* to determine continued eligibility for disability benefits. If a certification shows that you may be capable of earning a livelihood, PEERS may request a follow-up physical examination. In some cases, disability benefits may be stopped.

Recovery from Disability

If you recover from your disability before age 60, your monthly benefits stop and your PEERS salaries and service as of the date of the disability are restored.

If you return to PEERS-covered employment prior to age 60, you will make contributions to PEERS and you will earn additional service toward future service retirement benefits. If you receive disability benefits in excess of your accumulated contributions and interest, contributions you make upon your return are first applied against the difference. When this amount is recovered by PEERS, your contributions are then credited to your membership. If you do not return to PEERS-covered employment, you may request service retirement benefits when you are eligible.

If you recover from your disability at age 60 or older, there is no effect on your benefit. Your benefits continue for your lifetime unless you exceed the limit on hours worked after retirement or return to work full-time for a PEERS-covered employer. For more information, see below.

Working After Disability Retirement

For PEERS disability retirees, the effect of post-retirement work on your PEERS disability benefit payments depends, in part, on whether you have reached age 60.

Working As a Disability Retiree Prior to Age 60

In order to continue to receive PEERS disability benefits, you may not return to work in any capacity for a PEERS-covered employer prior to age 60.

Before age 60, your disability benefits stop if:

- **You are employed in any capacity for a PEERS-covered employer.** Volunteering for a PEERS-covered employer while receiving any type of salary or payment, including health insurance benefits, may be considered work and is not allowed if you are under age 60 and are receiving PEERS disability benefits.
- You are employed by a non-PEERS-covered employer and **your income is considered a livelihood** as determined by the PSRS/PEERS Board of Trustees (currently earning \$18,000 or more per year).
- **You return to work on a trial basis** prior to age 60. Your benefits are put on hold during the trial return to work period (see next section).

You can work after disability retirement before age 60 without effect on your disability benefits if:

- You are employed by a non-PEERS-covered employer, and
- Your annual salary and other income received is less than \$18,000 per year.

Trial Return to Work Prior to Age 60

As a disability retiree, you can request to return to work on a trial basis prior to age 60. A trial return to work must be approved in advance by PEERS, and is normally for a school year or 12-month calendar year. While you work on a trial basis, your disability benefits are put on hold. If you work for a PEERS-covered employer on a trial basis, you will make contributions to PEERS on your salary.

If you are unable to complete the full trial period, PEERS will request a medical examination to determine your disability status. If that examination confirms that you are still considered disabled, you can resume receipt of your disability benefits effective the month after the end of your trial employment. Your contributions are refunded to you by your employer and the service is forfeited.

If you successfully complete the trial return to work period, contact PEERS to determine the status of your membership.

Working As a Disability Retiree At or After Age 60

Once you reach age 60, you can work for any employer that is not covered by PEERS with no effect on your PEERS benefits, regardless of hours worked or salary earned. If you are self-employed as a consultant or independent contractor (as defined by the IRS) after retirement, this also has no effect on your benefits.

If you work for a PEERS-covered employer at or after age 60 and want to continue receiving your monthly benefits, your hours are limited. If you exceed the hourly limit, your benefits stop.

Your disability benefits will stop at age 60 or older, if you:

- Return to full-time, PEERS-covered employment*
- Exceed the hourly limit on part-time or temporary-substitute employment with PEERS-covered employers detailed on page 73

**Work performed after age 60 under the Critical Shortage Full-Time Employment Exception is not subject to this rule. See page 76 for more information.*

Divorce While Receiving PEERS Disability Benefits

If you divorce after PEERS disability retirement and you named your spouse as beneficiary, your divorce decree may require you to re-designate your ex-spouse as beneficiary. You may also voluntarily re-designate your ex-spouse as beneficiary. If you do not provide PEERS with a new beneficiary form, payment of any benefit due at your death is made according to Missouri law.

You can change your beneficiary designation at any time by completing a **Disability Retirement Beneficiary Designation** form available on our website or by contacting our office.

What Happens Upon Your Death: Survivor Benefits

It is important to share information with your family regarding your benefits, and what they may be entitled to receive from PEERS as your beneficiaries. PEERS may provide financial protection for your loved ones after you are gone, depending on your beneficiary designation.

As a disability retiree, your beneficiaries may be entitled to a lump-sum payment of your contributions and interest or lifetime monthly benefits from PEERS.

Possible survivor benefits include:

- A lump-sum refund consisting of any remaining contributions and interest in your membership at the time of your death.
- Lifetime monthly benefits may be payable to a sole beneficiary with an insurable interest in your life. A spouse, child or parent is automatically eligible. These benefits are calculated under the Joint-and-Survivor 100% benefit plan, and are based on your salaries and service earned with PEERS. These benefits may begin immediately or be delayed based on when you would become eligible for PEERS service retirement.

See the section of this handbook entitled, **Survivor Benefits**, on pages 36-39 for more information.

Upon your death:

- A designated relative or friend should notify us promptly. We will need a copy of your death certificate as proof of the date of death.
- The benefit issued at the end of the month of your death is payable.
- If benefits are paid after your death, but before PEERS is notified, we will recover any benefits that are not payable.

Frequently Asked Questions About Disability Benefits

Q. Do I have to resign from my job before filing the *Disability Retirement Application*?

A. No, you can file your application before your resignation date.

Q. Will you contact my employer when I file the *Disability Retirement Application*?

A. Yes. When we receive your application, we contact your employer to verify your last day of covered employment or accrued sick leave. For this reason, you should inform your employer that you are filing for disability retirement, but that you won't know if it is approved until after you file. Some employers may accept a resignation contingent upon approval of the *Disability Retirement Application*.

Q. Does the 550-hour limit on PEERS-covered employment after retirement also apply to disability retirees?

A. If you receive PEERS disability retirement benefits and are younger than age 60, you cannot be employed in any capacity by a PEERS-covered employer, or work for any non-covered employer and earn salary that is considered a livelihood by PEERS (\$18,000 or more per year). After age 60, you can work part-time or as a temporary-substitute for a covered employer without affecting your benefit payments, but the 550-hour limit applies.

Q. Can volunteering as part of a retirement incentive or other agreement in exchange for salary or other benefits affect my disability benefits?

A. Yes. As a disability retiree, you cannot be employed by a PEERS-covered employer in any capacity prior to age 60. This includes working or volunteering after retirement in return for salary (including employer-paid health insurance benefits) as part of a retirement incentive or other agreement with a PEERS-covered employer.

Q. I am eligible for long-term disability insurance benefits. Will that affect my PEERS disability retirement or vice versa?

A. Eligibility for long-term disability insurance benefits does not affect your PEERS disability retirement benefits. However, your PEERS disability retirement benefits may cause reductions in other benefits you are eligible to receive. We recommend that you contact any other entities from which you may receive benefits for more information on how they may be affected.

Q. What is a Durable Power of Attorney and why would I use one?

A. A Durable Power of Attorney is a legal document that allows you to delegate to a trusted family member or friend the authority to make direct deposit arrangements, or sign necessary documents pertaining to your benefits, in the event that you become unable to manage your financial affairs. You should consult with your personal attorney regarding any personal legal documents.

Q. Can I change my beneficiary as a disability retiree?

A. Yes. You can change your beneficiary at any time.