

Disability Retirement Benefits



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

Welcome

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

Eligibility

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

To be eligible for disability retirement benefits you must meet the following requirements:

- End all PSRS-covered employment
- Have at least five years of PSRS-covered employment
- Be under age 60
- Become permanently disabled while working in PSRS-covered employment or within one year after, if the condition causing the disability began while you were employed
- Be incapable of earning livelihood in any gainful occupation. A gainful occupation is one that replaces not less than 75% of the average of your last three years of salary and is reasonably found in your geographic area as established by the U.S. Bureau of Labor Statistics.

Ending all employment with PSRS-covered employers and the inability to earn a livelihood in any gainful occupation are some of the prerequisites for approval of a *Disability Retirement Application*.

Temporary or partial disability benefits are not available.

If you believe you may be eligible for disability benefits, contact PSRS for a ***Disability Benefit Estimate*** and ***Disability Retirement Application*** packet.



Filing your *Disability Retirement Application*

If you become disabled, file the ***Disability Retirement 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 prior to the date you file your application. But disability retirement cannot become effective until your paid 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.





Steps to File for Disability Benefits

You must complete the following steps before your retirement date. Failure to do so may jeopardize your disability retirement benefits.

Step 1

Request a **Disability Retirement Application** packet from PSRS.

Step 2

Complete and return the following to PSRS:

1. **Disability Retirement Application**
2. **Authorization for Release of Medical Records**
3. **Attending Physician Statement(s)** and medical records
4. **Direct Deposit Authorization for Monthly Benefits** form
5. Tax withholding form(s)
6. **\$5,000 Death Benefit Beneficiary Designation** form

Medical Records Requirements

When you file your **Disability Retirement Application**, we also need medical records information. In order to ensure your medical file is as thorough as possible, please provide the following medical records from your providers:

- Initial consultation, history and physical exam for the conditions alleged to be disabling
- The last five to six office notes from any physician treating for the alleged disabling diagnoses
- The last six to 12 months of diagnostic testing including x-rays, MRIs and labs
- A current, comprehensive list of medications
- If surgeries have taken place, any operative reports and surgical follow up notes for the past 12 months

It is your responsibility to obtain, pay for and provide your medical records to PSRS.

Once we have received your completed documents, the **Attending Physician Statement** and medical records, we will submit your claim to our medical advisor for review.

Our medical advisor will be in contact with you once they review your documents and advise you if additional medical records are needed to complete the review.

Step 3

Submit a photocopy of your birth certificate issued by the city, county or state in which you were born. This is required before disability retirement benefits can be issued.

If your birth was recorded in Missouri, you may request a birth certificate using an application found at:

<https://health.mo.gov> or by contacting:

Bureau of Vital Records
Missouri Department of Health and Senior Services
912 Wildwood
PO Box 570
Jefferson City, MO 65102
Phone: (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. Acceptable documents must show your date of birth or your age as of a certain date.

Contact PSRS for a list of acceptable documents.

Acknowledgement of Your Application

PSRS will acknowledge receipt of your **Disability Retirement Application**. Please call us if you do not receive acknowledgement of your application.

In some cases, the processing of your application may include additional steps and take longer. If your application is not approved based on the information initially provided, you will be given the opportunity to be referred for up to two independent medical exams and/or a vocational review, that will be set up by our medical advisor and paid for by PSRS, for continued consideration for disability retirement benefits.

How Much are PSRS Disability Benefits?

Your disability benefits are based on your years of service, salary and the service retirement benefit you would be eligible to receive if you continued your PSRS-covered employment to age 60.

Your disability retirement benefit is 50% of your salary for your last full year of PSRS service with minimum and maximum benefits payable.

Your disability retirement benefit:

- Must be at least 90% of the normal service retirement benefit based on your current salaries and years of service, and
- Cannot exceed the service retirement benefit you would receive if you continue to work to age 60 at the salary rate in effect at the time of the disability.

You will receive a personalized **Disability Benefit Estimate** with your application packet.



Payment of Your Disability Benefits

PSRS disability retirement benefits 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 payment on the last working day of July.

A schedule of deposit dates can be found on our website.



Cost-of-Living Adjustments (COLAs)

You are eligible for cost-of-living adjustments (COLAs) on your disability retirement benefit beginning the second January following your retirement date.

COLAs are set annually by the PSRS/PEERS Board of Trustees and are effective with the January benefit paid on the last working day of January.

The process for setting COLAs is governed by Missouri law, but gives the Board of Trustees some discretion. Factors evaluated by the Board when setting the COLA include:

- Changes in the cost of living reflected by the Consumer Price Index for Urban Consumers (CPI-U) for the preceding fiscal year
- The recommendation of the PSRS/PEERS' actuary

Current Missouri law states that COLAs cannot exceed 5% per year, and the total dollar amount of the COLA increases in your lifetime cannot exceed 80% of your original monthly retirement benefit. For example, if your initial benefit amount is \$1,000 per month, the most you can receive in total lifetime benefit increases from COLAs is \$800 per month.

COLAs are Compounded

The first COLA granted is based on your original benefit amount. Subsequent COLAs are calculated by multiplying your monthly benefit (at the time of the COLA) by the percentage of the COLA. The result over time is a compounding effect that causes the overall percent increase in your monthly benefit to be higher than the percentage you get by simply adding up the COLAs you have received over time.



Income Taxes

Once receiving disability benefits, we will send you an IRS Form 1099-R each calendar year indicating your total benefits for the year, the taxable portion of those benefits, the tax-free amount recovered in the year, if any, and the amount of tax withheld.

PSRS staff does not offer individual tax advice. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.

Federal Income Tax

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

At minimum service retirement age, the IRC provides that any previously taxed contributions can be excluded from taxable income with a small portion of each monthly benefit considered a return of those previously taxed contributions. PSRS will provide this information to you with your **Disability Benefit Estimate**.

Unless you request otherwise, we are required to withhold federal income tax from the taxable portion of each monthly benefit in excess of a specific amount set by the IRS each year. If the taxable portion of your benefit is less than that amount, no tax will be withheld unless you tell us to do so. You can also choose not to have any federal taxes withheld from your monthly benefit.

If you need tax advice, contact a tax professional or the IRS at **(800) 829-1040**.

Missouri Income Tax

According to the Missouri Department of Revenue, the portion of your PSRS benefits subject to federal tax is also subject to Missouri tax, if you are a Missouri resident.

We will withhold Missouri income tax from your benefit if you live in Missouri and authorize us to do so.

Missouri Public Pension Exemption

Depending on a variety of factors, PSRS benefit recipients may be able to deduct up to 100% of their PSRS benefits on their Missouri income tax return.

The total public pension exemption is limited to the maximum Social Security benefit of each individual.

Starting with the 2024 tax year, the exemption is no longer limited by your filing status or Missouri adjusted gross income.

This exemption first became available in 2007 and was phased in over several years, reaching 100% for tax year 2012 and subsequent tax years.

Missouri also offers a similar exemption for private pensions and Social Security benefits. However, the qualifications for both of these exemptions vary from the public pension exemption. If you also qualify for a Social Security exemption, it may impact your public pension exemption.

Eligibility depends on a variety of factors for any of the exemptions discussed above. Visit www.dor.mo.gov for more information regarding eligibility. You may also contact the Missouri Department of Revenue at **(573) 751-3505**, email income@dor.mo.gov or consult a tax professional for more information.

Events that Cause Disability Benefits to Stop

You are eligible for disability benefits for life as long as you meet annual earned income, medical certification and employment requirements.

Annual Income Verification

Disability retirees under the age of 60 are required to complete an annual **Affidavit of Earned Income** to determine continued eligibility for disability benefits. If an affidavit shows that you have earned in excess of the substantial gainful activity limit for non-blind Social Security Disability Insurance (SSDI) benefits, which is set by the Social Security Administration, your benefits will be suspended and a recovery may be necessary.

Medical Certification

Disability retirees under the age of 60 may be required to complete a **Medical Certification of Disability Status** to determine continued eligibility for disability benefits. PSRS may request a follow-up physical examination. In some cases, disability benefits may be suspended.

Post-Disability Retirement Employment Limits

Employment as a disability retiree is limited. If you exceed the limits that apply to you, your benefits will be suspended.

Prior to reaching age 60, you cannot:

- Earn in excess of the substantial gainful activity limit for non-blind Social Security Disability Insurance (SSDI) benefits, which is set by the Social Security Administration

Upon reaching age 60, you cannot:

- Exceed the limits on post-retirement employment with PSRS-covered employers, or with third-party providers as discussed on page 12

Recovery from Disability

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

If you return to PSRS-covered employment prior to age 60, you will make contributions to PSRS and you will earn additional service toward future service retirement benefits.

If you receive disability retirement benefits in excess of your accumulated contributions and interest, the contributions you make upon your return to covered employment are first applied against the difference and are not credited to your membership. Once PSRS has recovered this amount, your contributions are once again credited to your membership. If you do not return to PSRS-covered employment, you can request service retirement benefits when you are eligible.

The amount of your contributions and interest has no impact on the amount of any future retirement benefits for which you are eligible.

If you recover from your disability at age 60 or older, there is no effect on your benefits. Your benefits continue for your lifetime unless you exceed the limits on working after retirement for a PSRS-covered employer. For more information, see the following section.





Working After Disability Retirement

For PSRS disability retirees, the effect of your post retirement work on your disability retirement benefits depends on whether you have reached age 60.

Returning To Work Prior to Age 60

Before age 60, your disability retirement benefits stop if:

- You earn in excess of the substantial gainful activity limit for non-blind Social Security Disability Insurance (SSDI) benefits, which is set by the Social Security Administration).
- **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 the following section).

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

- Your total annual salary and other income received is less than the substantial gainful activity limit for non-blind Social Security Disability Insurance (SSDI) benefits, which is set by the Social Security Administration.

If you exceed the limit, your benefits will be suspended and a recovery may be necessary.

Trial Return to Work Prior to Age 60

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 PSRS, 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 PSRS-covered employer on a trial basis, you will make contributions to PSRS on your salary and earn service.

If you are unable to complete the full trial period, PSRS 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 retirement benefits, effective the month after the end of your trial employment, or on July 1 if you receive a full year of service. Your contributions are refunded to you and the service is forfeited. If you successfully complete the trial return to work period, contact PSRS to determine the status of your membership.

Returning to Work at or After Age 60

Once you reach age 60, most work for employers **not covered by PSRS** will have no effect on your PSRS disability benefits, regardless of hours worked or salary earned.

However, limits apply to work performed **directly for PSRS-covered employers**, as well as some **work for third-party providers or as an independent contractor** with duties performed at a PSRS-covered employer.

The work limits can impact how many hours per school year you may work, and how much you can earn each school year. The limits may vary depending on your employer, and in some cases, whether the position in which you are working requires you to have an educator certificate issued by the Missouri Department of Elementary and Secondary Education (DESE).

PSRS-covered employers include:

- Public school districts in Missouri, **except** the St. Louis (city) and Kansas City public school districts
- Public two-year colleges in Missouri
- Statewide non-profit educational associations that have elected to join

If you exceed any work limit(s), you must repay to PSRS the amount earned in excess of the limit, or the entire amount of your monthly benefit for any month during which the limit was exceeded, *whichever is less*.

The limits are detailed on our website, www.psr-peers.org, in the PSRS brochure entitled, ***Working After Retirement***, and in your PSRS ***Member Handbook***.

Don't jeopardize your benefits! If you are considering a return to work for a PSRS-covered employer or third party provider, please contact PSRS if you have any questions about what limits will apply.

Other Post-Disability Retirement Considerations

Keeping Your Beneficiary Designations Up-to-Date

To ensure benefits are paid according to your wishes, and to provide your family with the best financial protection, it is important to designate your beneficiaries properly and keep them updated as life-changing events occur.

You may name as your beneficiary:

- An individual
- A legal entity such as a church, school or organization
- Your estate
- A legally established trust

Marriage, divorce, birth or adoption of a child automatically voids your beneficiary designation. Until you file a new beneficiary form with PSRS, Missouri law determines your beneficiaries. In the case of a divorce, your divorce decree may require you to re-designate your ex-spouse as your beneficiary.

Please refer to the PSRS **Member Handbook** or call our office for additional information on designating beneficiaries.

Visit www.psr-peers.org and log in to Web Member Services to view or change your current beneficiary designation. You can also change your beneficiary designation by completing a **Disability Retirement Beneficiary Designation** form available on our website or by contacting our office.

Health Insurance

Missouri law gives you the option to participate in your employer's health insurance plan after disability retirement, as long as you elect to do so within one year from the date you were last employed. Consult with your last employer for specific information about the health insurance coverage available. PSRS has no role in administering or enforcing this state law.

We understand it can be difficult to know what questions to ask your employer about health insurance. To help you get started, we have developed a list of the questions we are most often asked, and that we recommend you ask your employer.

1. Are there any requirements I must meet in order to continue health insurance coverage through my employer after I retire?
2. Do I have to be on the employer's health insurance plan for a certain period of time before retirement to be eligible to retain the health insurance?
3. Can I get coverage for my spouse or dependent children?
4. Will my spouse be able to receive insurance through the employer after my death?
5. How long does the coverage continue?
6. Will I be able to receive supplemental insurance from my employer if I am eligible for Medicare?
7. How will Medicare affect the employer's health insurance? Which will be considered primary?
8. If my employer changes health insurance providers, does the new provider have to continue my coverage?



Social Security

As a member of PSRS, you are a member of a Defined Benefit, or DB, retirement plan that, upon retirement, will provide you with predictable retirement income for life, no matter how long you live. Your PSRS retirement is funded through investment earnings of the System, and contributions made by you and your employer.

Most PSRS members employed by public school districts and two-year public colleges covered by PSRS do not contribute to the federal Social Security program on their PSRS-covered earnings. There are no provisions of law that allow individual PSRS members to choose to participate in Social Security. Social Security participation is based on the school district you work for and your position.

You may qualify for Social Security benefits based on other, non-PSRS-covered employment, or through a spouse or ex-spouse.

Contact Social Security at **(800) 772-1313** or visit **www.ssa.gov** with questions about your eligibility for Social Security benefits.

Medicare

If you are a U.S. citizen or a lawfully admitted alien who has lived in the U.S. for at least five years, you can receive Medicare benefits at age 65. The real question for PSRS members is whether or not you will have to pay a premium for Medicare coverage.

If you were hired by a PSRS-covered employer or have changed PSRS-covered employers since March 1986, Medicare contributions are withheld from your pay. When you pay into Medicare, your employer matches your contributions and you receive “units” based on your earnings. You can receive a maximum of four units in one calendar year.

You may qualify for Medicare benefits if you have 40 units (a minimum of 10 years) of Social Security-covered employment. You may also be eligible for benefits through your spouse.

If you were hired by a PSRS-covered employer before April 1986 and have not changed employers since that time, you do not pay into Medicare on your PSRS-covered wages.

Important notes regarding Medicare:

- Specific enrollment periods exist.
- If you do not enroll when first eligible, you may pay higher premiums at a later date.
- If you are eligible for Medicare and choose not to enroll because you have coverage through a private insurance group, your insurance may not cover any expenses that Medicare would have paid.

There are four parts to Medicare. You can choose to participate in any or all parts.

- Medicare Part A, Hospital Insurance, pays for inpatient hospital expenses, hospice care and skilled home health services for home bound patients, and helps with short-term, inpatient care in skilled nursing facilities if the patient is there for rehabilitation.
- Medicare Part B, Medical Insurance, helps pay for doctors’ services, outpatient hospital care and some medical equipment and supplies.
- Medicare Part C, Medicare Advantage Plans, are private plans that include emergency and urgent care.
- Medicare Part D provides prescription drug coverage.

Please contact Missouri SHIP, the Missouri State Health Insurance Assistance Program, at **(800) 390-3330** or visit their website **www.missouriship.org** for specific information about your entitlement to Medicare benefits.





What Happens Upon Your Death

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

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

Your beneficiary may be eligible for **one** of the following types of PSRS survivor benefits:

- A lump-sum survivor benefit consisting of any remaining contributions and interest in your membership at the time of your death.
- Monthly dependent-based survivor benefits may be payable to your qualified spouse, dependent children or dependent parents. These benefits are based on a percentage of your last full year of salary while working in PSRS-covered employment.
- Monthly retirement-based survivor benefits may be payable to a sole beneficiary with an insurable interest in your life. A spouse, child or parent is automatically eligible. Any other designated individual can also qualify by providing documentation showing he or she is financially dependent on you. These benefits are calculated under the Joint-and-Survivor 100% benefit plan, and are based on your salaries and service earned with PSRS. These benefits can begin immediately or could be delayed based on when you would eligible for PSRS service retirement.

Monthly survivor benefits are not payable if you name a trust, estate or multiple beneficiaries.

\$5,000 Death Benefit

In addition to possible survivor benefits, a one-time, lump-sum death benefit of \$5,000 is payable to the beneficiary you designate specifically for this benefit. You can designate an individual, a legal entity, an established trust or your estate. You can change your designation at any time by logging in to Web Member Services or by filing a new ***\$5,000 Death Benefit Beneficiary*** form with PSRS. This form is available on our website or by contacting our office.

Frequently Asked Questions

- 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. No. PSRS only contacts the employer once the *Disability Retirement Application* is approved.
- 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. For a period of one month from your PSRS retirement date, you cannot be under a written or unwritten agreement for employment at a PSRS-covered employer in any capacity. This includes retirement incentives or separation agreements that require you to work or volunteer in any capacity after retirement in return for salary (including paid health insurance benefits). If you are under either a written or unwritten agreement for future employment, you are not considered to have properly terminated your employment and are not eligible to receive PSRS benefits.
- Q. I am eligible for long-term disability insurance benefits. Will that affect my disability retirement or vice versa?**
- A. Eligibility for long-term disability insurance benefits does not affect your PSRS disability retirement benefits. However, your PSRS 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, which is useful in the event you become unable to manage your financial affairs. Such a document allows you to delegate to a trusted family member or friend the authority to make decisions and sign necessary documents pertaining to your benefits. You should consult with your personal attorney regarding any legal documents.

Legal Disclaimer

This booklet explains your rights, benefits and responsibilities as a member of the Public School Retirement System of Missouri (PSRS). It is intended to serve as a ready source of information about the System and not as a legal document or a substitute for the law. If differences appear between the law and the booklet, the law must prevail.

The System is governed by the laws found in Chapter 169, *Revised Statutes of Missouri* and the *Missouri Code of State Regulations (CSR)* Title 16, Division 10.

Similarly, the law takes precedence over any oral statements made by a representative of PSRS regarding your rights, benefits and responsibilities as a PSRS member.

For further information, please refer to the PSRS *Member Handbook*, contact us at our office or visit us online.



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