

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 PSRS membership is the financial security provided by PSRS disability retirement benefits. If your career is cut short because of permanent disability, PSRS can often help through the payment of monthly disability retirement 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 PSRS disability retirement benefits. The cause of your disability does not have to be work-related.

To be eligible for PSRS 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 a livelihood in any occupation. For disability retirement purposes, earning a livelihood is defined as earning in excess of the substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year by the Social Security Administration. (If you earn less than this limit, you would be eligible for consideration for PSRS disability retirement benefits.)

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

Temporary or partial disability retirement benefits are not available through PSRS.

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

Filing Your *Disability Retirement Application*

If you become disabled, contact PSRS 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 PSRS.

Step 2

Complete and return the following to PSRS:

1. *Disability Retirement Application*
2. *Authorization for 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. *\$5,000 Death Benefit Beneficiary Designation* form

Medical Records Requirements

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

If we need additional information to make a determination, we may request an examination by an independent examiner, paid for by PSRS.

Approval of your application is based on your medical records and the PSRS 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 PSRS Web Member Services.

If your 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

An application is available at www.health.mo.gov. A fee is required for each certificate requested. You can also request a copy of your birth certificate from your local health department.

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*

PSRS 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 Retirement Benefit Amounts

The calculations used to determine the amount of your disability retirement benefits are determined by law. Your disability retirement benefit is based on your years of service, salary, and the service retirement benefit you would be eligible to receive if you continue 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 normal service retirement benefit you would receive if you continued to work until age 60 at the salary rate in effect at the time of your disability.

Sample Disability Retirement Benefit Calculation

Your disability retirement benefit is:

- 50% of your salary for your last full year of PSRS service, and
- No less than 90% of your normal service retirement benefit based on your current salaries and service, and
- No more than your normal service retirement benefit based on your current salaries and service to age 60

Example

A. Calculate 50% of your monthly salary for last full year of service.

Monthly Salary for Last Full Year of Service	x	50%	=	Possible Monthly Disability Retirement Benefit
\$4,682	x	50%	=	\$2,341

B. Calculate your minimum disability retirement benefit, which is 90% of the normal service retirement benefit based on your current salaries and years of service.

Benefit Factor	x	Final Average Salary	x	Years of Service	=	Lifetime Single Life Benefit	x	90%	=	Possible Monthly Disability Retirement Benefit
2.5%	x	\$4,590	x	20	=	\$2,295	x	90%	=	\$2,066

C. Calculate the maximum disability retirement benefit you could receive, which is the monthly service retirement benefit as though working to age 60, assuming you earn additional service until age 60 at the salary rate in effect at the time of your disability.

Benefit Factor	x	Final Average Salary	x	Years of Service at Age 60	=	Possible Monthly Disability Retirement Benefit
2.5%	x	\$4,590	x	30	=	\$3,443

Which is greater, the amount in Step A or in Step B?

In this example, A is greater: \$2,341 per month.

Is this less than the amount in Step C - the service retirement benefit amount as though working to age 60?

The amount calculated in Step B is less than \$3,443, so in this example, the monthly disability retirement benefit is \$2,341, before taxes.

Payment of Your Disability Retirement Benefits

PSRS disability retirement 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 retirement 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 is found on our website.

For more information, see the section entitled, ***Payment of Retirement Benefits*** beginning on page 70.

Cost-of-Living Adjustments (COLAs)

You are eligible for cost-of-living adjustments (COLAs) on your disability retirement benefits beginning the second January following your retirement date. For more information on COLAs, see pages 70-71.

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 PSRS 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. PSRS will provide this information to you with your estimate of disability retirement 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 72-73.

Events that Cause Disability Retirement Benefits to Stop

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

- Recover from your disability (see page 66)
- Return to employment in any capacity with a PSRS-covered employer
- Can earn a livelihood (currently defined by PSRS as earning in excess of the substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year by the Social Security Administration)

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

- Return to full-time, certificated PSRS-covered employment
- Exceed the limits on post-retirement employment with PSRS-covered employers detailed on pages 76-90
- Exceed the limits on post-retirement employment with third-party providers providing services at a PSRS-covered school district and working in a substitute teacher role, or in any other position normally requiring a certificate issued by the Missouri Department of Elementary and Secondary Education (DESE) (see pages 76-90)

Annual Requirements for Continued Eligibility

Disability retirees under the age of 60 are required to complete an annual ***Medical Certification of Disability Status*** and ***Affidavit of Earned Income*** to determine continued eligibility for disability retirement benefits. If you earned income during the year, you will also be required to submit income verification (W-2's, pay stubs, etc.) with the ***Affidavit of Earned Income*** to verify you did not exceed the earnings limit (currently defined by

PSRS as earning in excess of the substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year by the Social Security Administration). If a medical certification or income documents show that you may have recovered from your disability prior to age 60 or may be capable of earning a livelihood, PSRS may request a follow-up physical examination. In some cases, disability retirement benefits may be stopped.

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, contributions you make upon your return are first applied against the difference. When this amount is recovered by PSRS, your contributions are then credited to your membership. If you do not return to PSRS-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 benefits. Your benefits continue for your lifetime unless you exceed the limits on working after retirement or return to work full-time for a PSRS-covered employer. For more information, see below.

Working After Disability Retirement

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

Working As a Disability Retiree Prior to Age 60

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

Before age 60, your disability retirement benefits stop if:

- **You are employed in any capacity for a PSRS-covered employer.** Volunteering for a PSRS-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 PSRS disability retirement benefits.
- You are employed by a non-PSRS-covered employer and **your income is considered a livelihood** as determined by the PSRS/PEERS Board of Trustees (currently earning in excess of the substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year 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 next section).

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

- You are employed by a non-PSRS-covered employer, and
- Your annual salary and other income received is less than substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year by the Social Security Administration.

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 retirement 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.

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. 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 PSRS to determine the status of your membership.

Working As a Disability Retiree At or After Age 60

Once you reach age 60, if you work after retirement for a PSRS-covered employer in any position, and you want to continue to receive your monthly benefits, your work is limited. If you exceed your limit(s), your retirement benefits stop.

Once you reach age 60, most work after retirement for an employer that does **not** participate in PSRS, or work as a consultant or independent contractor as defined by the IRS, has no effect on your PSRS benefits, regardless of hours worked or salary earned.

Exceptions occur when you work for a third-party provider or as an independent contractor providing services at a PSRS-covered school as a substitute teacher or in any other position that would normally require you to have a certificate issued by the Missouri Department of Elementary and Secondary Education (DESE). See pages 76-90 for more information.

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

- Return to full-time, certificated, PSRS-covered employment*
- Exceed the limits detailed on pages 76-90

**Work performed after age 60 under the Critical Shortage Employment provision is not subject to the same limits. See page 84 for more information.*

Divorce While Receiving PSRS Disability Retirement Benefits

If you divorce after PSRS 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 PSRS 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 PSRS as your beneficiaries. PSRS 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 monthly survivor benefits from PSRS.

Possible survivor benefits include:

- A lump-sum refund consisting of any remaining contributions and interest in your membership at the time of your death.
- Monthly dependent-based 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.
- Lifetime 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. 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 may begin immediately or be delayed based on when you would become eligible for PSRS service retirement.

See pages 36-42 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 PSRS is notified, we will recover any benefits that are not payable.

\$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 may designate an individual, a legal entity, an established trust or your estate. Your designation can be changed at any time by filing a new **\$5,000 Death Benefit Beneficiary** form with PSRS. This form is available on our website or by contacting us.

This is a taxable distribution. If your beneficiary is your spouse, he or she can roll it over to a qualified retirement plan to avoid incurring an immediate tax liability. If your beneficiary is someone other than your spouse, he or she can roll it to an IRA established as an inherited IRA. **Caution: taxable funds rolled over into a Roth IRA are considered taxable income in the year in which the rollover takes place.**

Frequently Asked Questions About Disability Retirement

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

A. No, you can apply 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. Do the limits on PSRS-covered employment after retirement also apply to disability retirees?

A. If you receive PSRS disability retirement benefits and are younger than age 60, you cannot be employed in any capacity by a PSRS-covered employer, or work for any non-covered employer and earn salary that is considered a livelihood by PSRS (currently earning in excess of the substantial gainful activity limit for Supplemental Security Income (SSI) benefits (non-blind, disabled), which is set each year by the Social Security Administration). After

age 60, you can work for a covered employer without affecting your benefit payments, but limits apply. This is also true if you work for a third-party provider or as an independent contractor providing services at a PSRS-covered school district in a substitute teacher role, or in any other position normally requiring a certificate issued by the Missouri Department of Elementary and Secondary Education (DESE).

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

A. Yes. As a disability retiree, you cannot be employed by a PSRS-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 PSRS-covered employer.

Q. I am eligible for long-term disability insurance benefits. Will that affect my PSRS 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 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.