

Let's Talk About

Disability

Retirement

Benefits



The Public School Employees' Retirement System (PSERS) provides this document for educational and informational purposes. Information in this document is general in nature, does not cover all factual circumstances, and is not a complete statement of the law or administrative rules. The statements in this document are not binding. In any conflict between the statements in this document and applicable law or administrative rules, the law and administrative rules will prevail.

This document is designed solely to provide an overview of benefits available to PSERS members and is not intended to be a substitute for retirement counseling. If you are considering a disability retirement, you are encouraged to contact PSERS to meet with a PSERS Regional Representative. The representative will guide you through the process to ensure timely filling of your application.

Table of Contents

What is a Disability Benefit?	1
Am I Eligible?.....	2
Monthly Payments	3
How do I Apply?.....	4
Charges for Requesting Medical Information.....	6
Eligibility Determination	6
Effective Date	6
Appeals Process.....	7
What if Appeals Process is Exhausted?.....	7
Length of Benefit	8
Benefit Renewal Process	8
Working While Receiving a Disability Benefit	9
Earnings Limitations	9
Health Insurance Choices	12
Premium Assistance	13
Taxes on Benefit.....	14
Retirement Options.....	15
Topics to Discuss with Employer	17
Contacting PSERS	17
Comparison of Benefits	18

The disability retirement benefit – What is it?

A disability retirement is an alternative to a regular (normal or early) retirement for members who are unable to perform their current public school employment duties for medical reasons. Disability benefits must be approved by PSERS based on your medical documentation and your job description.

Generally, a disability retirement benefit is designed to provide approximately 40% of your final average salary. If granted disability benefits, you will receive a monthly retirement payment for as long as you are deemed disabled and comply with the necessary requirements. Your benefit may be subject to an annual earnings limitation and ongoing submission of medical documentation.

You may receive a disability retirement benefit from PSERS and receive a disability benefit from another plan such as workers' compensation, social security, and/or an independent insurance company. Receiving other disability benefits will not affect your PSERS disability retirement benefit; however, your PSERS benefit may adversely affect other disability benefits. Your insurance provider or workers' compensation carrier may require you to reimburse them for any retroactive disability benefits paid to you. It is your responsibility to contact any such provider.

Am I eligible?

To qualify for a disability retirement benefit, you must:

- Have at least five years of credited service with PSERS.
- Be physically or mentally unable to perform the duties stated in your job description.
- Have become disabled while an active member of PSERS. Should you become disabled after you terminate service with your employer, you are not eligible for a PSERS disability retirement benefit.
- Be disabled at the time you submit your application.
- Apply for disability retirement benefits within two school years of your last day of service or paid leave, whichever is later.*

**For example, if you leave service in March of the current school year, you have two school years (July 1 through June 30) from the close of the current school year to apply. If you do not apply within the two school years, you will forfeit all rights to apply for a disability retirement benefit.*

You cannot be eligible for disability retirement while you are an active, contributing member. You must either terminate your employment OR be placed on a non-contributing leave of absence by your employer. Your *Application for Disability Retirement (PSRS-49)* will not be reviewed until the effective date of your termination

or non-contributing leave. You may submit your *Application for Disability Retirement* no more than 30 days before the effective date of your termination or non-contributing leave of absence.

A disability retirement benefit is not available to members who are already receiving a regular PSERS retirement benefit.

How much retirement income will I receive if I retire with a disability retirement benefit?

The disability retirement income you will receive is based on a variety of factors, including years of service and salary. If you have not yet reached normal retirement eligibility, your benefit is supplemented to equal approximately 40% of your final average salary.

PSERS encourages you to obtain a disability retirement estimate before applying for your disability benefit. You can find the *Request for Retirement Estimate* (PSRS-151) form on the PSERS website www.psers.state.pa.us. Alternatively, you can contact PSERS to request an estimate.

When you complete the estimate request, be sure to check the **“Disability”** option under **“Type of Estimate Request”** to request a disability retirement estimate. Return the completed form to PSERS via the

fax number or mailing address provided. PSERS will prepare and send you both a regular retirement estimate and a disability retirement estimate. You may also call to request a disability retirement estimate over the telephone.

How do I apply?

PSERS encourages you to attend a disability retirement counseling session conducted by a PSERS regional representative before applying for a disability retirement benefit. By attending, you avoid some of the common mistakes which may lead to a delay in processing your benefit. It also ensures that you are provided with information needed to make an informed decision about your retirement.

At the private counseling session, the representative will review both your regular and disability retirement estimates. The representative will:

- Describe the advantages and disadvantages of regular vs. disability retirement.
- Explain the application process, and assist you in completing the *PSERS Application for Disability Retirement* packet.

Contact PSERS to schedule an appointment.

To apply for a disability retirement benefit, you must submit the following completed forms to PSERS **no earlier than 30 days** before you begin a non-contributing leave or terminate your employment:

- ***Application for Disability Retirement (PSRS-49)*** - You will complete this application during or after your PSERS counseling session.
- ***Job Description (PSRS-1237)***
 - Your employer completes this form.
- ***Physician's Medical Report(s) (PSRS-1236)*** - Your physician(s) completes this form.
 - o Your physician should provide an evaluation of your medical history as it affects your ability to perform your assigned duties. This information should reflect your physical and/or mental condition as of your last day of paid service as well as your current condition. The PSERS medical examiners will request that you provide additional information from your physician(s) if necessary.

Please note that the effective date of your non-contributing leave status or termination must be no more than 30 days after the date of your application.

If we do not receive a non-contributing leave or termination status within 30 days of the date of your application, or if the effective date of that status is more than 30 days **after** the date your application was received, your *Application for Disability Retirement* will be returned to you. You will need to reapply once you are within 30 days of the start of your non-contributing leave or termination date.

Who is responsible for charges incurred to provide the medical information?

You are responsible for costs to obtain the medical information needed to determine your disability status.

Who determines my eligibility for the disability retirement benefit?

PSERS determines eligibility for your disability retirement benefit based on the information you and your physician(s) submit and the recommendation of the PSERS medical examiners.

How is my date of disability retirement determined?

The benefit effective date of a disability retirement is the day after your last day of paid service or paid leave, whichever is later. You cannot select your own disability retirement effective date.

What if my request for a disability retirement is denied by PSERS?

If you disagree with the decision reached by PSERS, you have the right to request an appeal to the PSERS Executive Staff Review Committee. The appeal must be received by PSERS within the time frame stated in the letter notifying you of PSERS' decision. Appeals must be made in writing and sent to:

Executive Staff Review Committee
5 N 5th Street
Harrisburg PA 17101-1905

If your appeal is denied by the committee, you have the right to appeal to the Public School Employees' Retirement Board and request an administrative hearing before an independent hearing examiner.

Instructions on how to proceed with the appeals process is included in the letter from the Executive Staff Review Committee.

What are my other benefit options if I'm denied?

If you are denied a disability retirement benefit, you may be eligible to vest your account, apply for a regular retirement, or refund your contributions and interest. Different membership classes and circumstances have different benefit eligibility requirements.

Contact your PSERS regional office to speak to a counselor regarding the choices available to you.

How long am I entitled to my disability retirement benefit?

At the time your disability retirement benefit is approved, PSERS will determine the terms and conditions of your benefit. The length of time of your disability is determined by the findings of the PSERS medical examiners' review. You may be subject to a periodic renewal process.

How will I know when it's time to renew the benefit?

PSERS sends an *Application to Reapply for Disability Benefits* (PSRS-1238) to retirees subject to a periodic renewal. The renewal application must be completed by your physician and returned to PSERS by the date stated on the application. If you fail to return the application by the due date, your monthly disability retirement benefit will be suspended and may be discontinued. If it is discontinued, you are required to return any overpayment of your benefit to PSERS.

If your renewal is denied, you have the right to appeal the decision.

If you are denied a continuation of your disability retirement benefit, you may be eligible to receive a regular retirement benefit. Contact your PSERS regional office for additional information.

May I work while receiving a disability retirement benefit?

You may be employed in a position other than the position from which you were disabled from while receiving a PSERS disability retirement benefit.

Please note, employment in any capacity may be reviewed to confirm your continued medical eligibility for disability benefits.

Additionally, as an annuitant, you are not permitted to return to work for a Pennsylvania public school employer without the loss of your monthly benefit **unless** you qualify for specific exceptions. These exceptions are detailed in *PSERS Return to Service Guidelines and Clarifications* (Publication #9682), located on the PSERS website.

Is my disability retirement benefit affected by other earnings that I may have?

Yes, other earnings may affect your benefit because your annual earnings are limited to your last school year's salary minus your gross disability retirement benefit. If your annual earnings plus your yearly disability retirement benefit exceeds your last school year's salary, your benefit will be impacted.

Example - Your last school year salary was \$40,000. If your annual PSERS disability retirement benefit is \$25,000, you cannot have more than \$15,000 of additional earned income per year without having to return money to PSERS. If you earn more than \$15,000, it will impact your disability retirement benefit.

Every year, PSERS sends an *Annual Earnings Statement of a Disability Benefits* to retirees who are receiving a disability retirement benefit and have not reached normal retirement. The purpose of this statement is to obtain information from you about earned income to determine if you are exceeding your annual earnings limitation. It also provides PSERS with information as to the type of work you are performing.

When completing the *Annual Earnings Statement*, you should not report wages received from your school employer earned before the effective date of your disability retirement. You should only report earned income. Earned income is compensation received by you for work as an employee of any business or by being self-employed. The following are **not** considered earned income and should not be reported:

- Interest and dividends
- Rental and other types of passive income
- Retirement income
- Social Security
- Unemployment benefits
- Alimony
- Child support

- Death benefits
- Prizes and awards
- Gifts and inheritances

Complete and return the *Annual Earnings Statement* no later than the date specified on the accompanying notice. To ensure you properly complete the form, please read the additional instructions provided with the statement.

If you fail to return the Annual Earning Statement by the due date, your monthly disability retirement benefit will be suspended and may be discontinued. You will need to return to PSERS any overpayment of your benefit.

Until you qualify for normal retirement, you will need to complete and submit an *Annual Earnings Statement* every year. For normal retirement requirements, refer to the PSERS website.

PSERS may obtain information from other government agencies, departments, or entities to verify your annual earnings.

If your yearly income exceeds your earnings limitation, PSERS must collect the overpaid disability supplement from you. You may choose to return the excess earnings in one of two ways:

- Make a lump-sum payment within 30 days
- Have your monthly disability supplement withheld until the overpayment is recovered

What health insurance choices are available to me?

You may be eligible to remain in your employer's group health insurance plan. If so, you may be eligible for premium assistance (see next page). Consult with your employer regarding continuance of their health insurance coverage.

The PSERS Health Options Program (HOP) is available for all PSERS annuitants, spouses of annuitants, survivor annuitants, and dependents of annuitants and survivor annuitants. This coverage is eligible for premium assistance. HOP offers comprehensive medical coverage before and after you become eligible for and enroll in Medicare.

Comprehensive descriptive material and enrollment information is available upon request by contacting the HOP Administrative Unit at 1.800.773.7725 or on the HOP website at www.hopbenefits.com.

You may also obtain non-school health insurance, including individual or spousal coverage. Such insurance, however, does not qualify for premium assistance.

What is Premium Assistance and how does it apply to retirees receiving a disability benefit?

Premium assistance is a reimbursement of out-of-pocket expenses for the cost of a retiree's basic health insurance. Eligible PSERS retirees receiving a disability retirement benefit may be reimbursed up to \$100 per month, provided they have an out-of-pocket expense for basic health insurance coverage from one of the following:

- PSERS Health Options Program
- A Commonwealth public school employer's group health insurance plan that is certified with PSERS.

The amount of premium assistance you receive cannot exceed the actual premium you pay for basic coverage.

Premium assistance is a tax-free reimbursement added to your monthly benefit. Contact the Internal Revenue Service (IRS) if you require further details regarding tax implications.

Is my disability retirement benefit taxable?

Your PSERS disability retirement benefit **is subject to federal taxes but not subject to Pennsylvania state or local taxes.** PSERS, however, does not use Code 3 on the 1099-R because the federal government defines disabled as unable to engage in any type of employment. For pension purposes, PSERS defines disabled as unable to perform the duties for which you were hired; therefore, PSERS cannot certify total disability according to IRS rules.

If you reside in or you move to another state, check with that state regarding taxes that may be due on your disability retirement benefit. For additional information on taxes, please contact a tax advisor or the IRS.

What disability retirement options are available to me?

Maximum Single Life Annuity (MSLA)

- You will receive the maximum monthly benefit for as long as your disability benefit continues to be granted. If you die, any remaining balance in the present value* of your retirement benefit will be paid to your beneficiary(ies). Under this option, you may name more than one beneficiary and you can change your beneficiary(ies) at any time. If you do not name a beneficiary, PSERS will use the beneficiary information already on file. If you have no named beneficiaries on file with PSERS, any remaining benefit will be paid to your estate.

Option 2 - You will receive a reduced monthly benefit based on your age and the age of your survivor annuitant at the time of disability retirement. At the time of your death, your survivor will receive the same amount per month that you would have received if you had retired under **a normal or early** retirement benefit. Under this option, you may name only one survivor annuitant.

**The total value of a member's retirement account used to fund monthly benefit payments over the member's lifetime, or the amount paid to a beneficiary when a vested member dies in service. This is determined by multiplying the maximum single life annuity by the dollar annuity factor at the time of retirement.*

Option 3 - You will receive a reduced monthly benefit based on your age and the age of your survivor annuitant at the time of disability retirement. At the time of your death, your survivor will receive one-half of the amount per month that you would have received if you had retired under a **normal or early** retirement benefit. Under this option, you may name only one survivor annuitant.

Customized (Special) Option 4 – You will receive a monthly payment for life based on a plan of your own actuarially equivalent design other than those listed above. This plan must be approved by PSERS. As with both Options 2 and 3, the disability supplement (if applicable) is removed for the survivor annuitant.

You cannot change your survivor annuitant or retirement option unless you retired under Options 2, 3, or the Customized (Special) Option 4 (survivor annuitant plan) and your original survivor annuitant predeceases you or your marital status changes. If either situation occurs, contact PSERS to discuss your next steps.

When you receive a PSERS disability retirement benefit, no matter what option you select, you cannot withdraw any portion of your contributions and interest.

Special Rules for Class T-E and T-F

If you are a Class T-E or Class T-F member who has *fewer than* 10 years of credited service with PSERS, **you can only select the MSLA option.**

Before I make a decision, would you suggest that I have a discussion with my employer?

Yes. Each employer is different and may have options other than retirement available to you. Some of these options include, but are not limited to, school-sponsored disability insurance, special sick leave, emergency leave, and the use of your accrued sick and vacation leave.

Contacting PSERS

You may contact PSERS toll-free at 1.888.773.7748 from 8:00 a.m. to 5:00 p.m., Monday through Friday, except on State holidays. PSERS also has regional offices located throughout the state. You may reach your local regional office from 8:30 a.m. to 5:00 p.m. A complete list of all PSERS regional offices and contact numbers is found on PSERS website under Regional Offices.

Harrisburg Headquarters
5 N 5th Street
Harrisburg PA 17101-1905

Toll-Free: 1.888.773.7748
Local Telephone: 717.787.8540

Email address: *ContactPSERS@pa.gov*

Website: *www.psers.state.pa.us*

Comparison of Retirement Benefits

Terms of Retirement
Requires termination of employment to apply
Must meet medical eligibility
May withdraw contributions and interest at retirement
May be discontinued by PSERS at any time based on medical status
May be subject to renewal
May be required to complete annual earnings statement
May be subject to earned income limitation
School employment in another state may jeopardize PSERS benefit
May work in Pennsylvania public schools under exceptions allowing retirees to be employed for emergency, shortage of personnel, or extracurricular situations
Is eligible for cost-of-living adjustments without regard to superannuation qualifications
Is eligible for premium assistance <u>without</u> regard to service credit and/or age

**Please note, employment in any capacity may be reviewed to confirm your continued medical eligibility for disability benefits.*

Normal/Early Class T-C/T-D	Normal/Early Class T-E/T-F	Disability
Yes	Yes	No
No	No	Yes
Yes	No	No
No	No	Yes
Yes	Yes	Yes*
No	No	Yes
No	No	Yes



**5 N 5th Street
Harrisburg PA 17101-1905**

www.psers.state.pa.us

ContactPSERS@pa.gov