



# Disability Retirement



*Partners in Your Retirement Security*

## Disability Retirement

As a member's career progresses, so usually do financial obligations: a home, a family, and children's education. If the career is cut short because of permanent disability, PEERS can help through payment of monthly disability benefits if the member qualifies for such payments.

Disability, for PEERS retirement purposes, is defined as a physical or mental impairment that appears to be permanent and prevents a member from earning a livelihood in any occupation.

## Eligibility Requirements

You may qualify for monthly disability payments from PEERS if:

- You are under age 60;
- You become permanently disabled while working in PEERS-covered employment, or within one year thereafter, if the condition causing the disability began while you were so employed;
- You are incapable of earning a livelihood (**see below**) in any occupation; and
- You have five or more years of PEERS service credit.

Temporary or partial disability benefits are not available under the retirement law. Permanent inability to earn a livelihood is a prerequisite for approval of a PEERS disability retirement application. PEERS currently defines "livelihood" as earning \$18,000 per year.

## Applying for Disability Benefits

If you become disabled, contact PEERS for an *Application for Disability Retirement* immediately. File the application as soon as it has been determined that the disability will result in the termination of your employment, regardless of whether you have been approved for Social Security disability benefits. 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.

## Determination of Disability

If you are approved for Social Security disability benefits, the award letter issued by Social Security may serve as sufficient evidence to PEERS that disability exists. If not, we will request medical information from your attending physicians for review by our medical advisor. Should additional information be needed, you may be asked to undergo examinations by medical specialists selected and paid by PEERS. Approval or disapproval of your application by the PSRS/PEERS Board of Trustees is based on the recommendations of the medical advisor as to whether your condition qualifies under the System's definition of disability.

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If you are approved for disability benefits, you will be asked to undergo periodic examinations until age 60 to confirm continued eligibility for PEERS disability benefits.

Disability benefits cease if you are employed **in any capacity by a PEERS-covered employer** prior to age 60, or if you serve in any other type of employment and the compensation for that service is considered a livelihood as determined by the Board of Trustees (currently \$18,000 per year).

## Calculating Disability Benefits

Your monthly disability benefit will be 90% of the service retirement benefit payable as though you were age 60 using the normal retirement formula based on your current membership.

## Sample Benefit Calculation

$$.0161 \times \text{Final Average Salary} \times \text{Years of Credit} \times 90\% = \text{Monthly Disability Benefit}$$

## Recovery from Disability

If you recover from your disability before age 60, your monthly payments stop and your PEERS membership status and service credit as of the date of the disability is restored. Disability benefit payments you received are deducted from your account balance. If you return to PEERS-covered employment, you earn additional credit toward a future service retirement benefit, and your contributions go toward building your account balance back up to the amount you had when your disability benefits began. If you do not return to PEERS-covered employment, you may request a service retirement benefit when you reach minimum age and service requirements.

## Working after Disability Retirement

**Prior to age 60**, disability payments will stop if you are employed in any capacity by a PEERS-covered employer, or if you work for a non-covered employer and your compensation is considered a livelihood by the PSRS/PEERS Board of Trustees (currently \$18,000 per year).

**Once you reach age 60**, you are subject to the same working after retirement limits as any retired PEERS member. You can work for a non-covered employer with no effect on your benefit. At age 60, you may also work for a PEERS-covered employer part-time or as a temporary-substitute for up to 550 hours per school year with no effect on your benefit. If you exceed the 550-hour limit or return to full-time service, your benefit is put on hold until the employment ends or a new school year begins (pages 61-66).

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### Record-Keeping Requirements

All disability retirees age 60 and older and working for PEERS-covered employers are required to maintain a written record of dates and hours worked, wages earned and information on employing school district(s). Employers are also required to maintain such records. Record-keeping forms will be sent to you and your employer each school year when you return to work after retirement. These forms are also available on the PEERS website, [www.psr-peers.org](http://www.psr-peers.org). PEERS may request access to these record forms for review at any time.

### The Trial Return to Work

Prior to age 60, you can request to return to work on a trial basis. Trial return to work must be approved in advance by PEERS, and is normally for a school year or 12-month calendar year period. While you are working on a trial return to work basis, your disability benefit is put on hold. If you are unable to complete the full time frame of the trial period, PEERS will request a medical examination to determine your disability status. Medical confirmation of disability means you can resume receipt of your disability benefits effective the month after the termination of your trial employment. If you successfully complete the trial return to work period, contact PEERS to determine the status of your membership.

### The “Critical Shortage” Full-Time Employment Exception

Disability retirees **age 60 or older** may work full-time for up to two years at school districts that have declared a critical shortage of employees, without losing PEERS benefits ([page 64](#)).

## Payment of Benefits

See the *Service Retirement* section ([page 57](#)) for information about the payment of benefits.

## Employer Health Insurance Coverage

Missouri law gives you the option to elect coverage in your employer’s health insurance plan after retirement as long as the election is made within one year of the date you were last employed by that employer. You should consult with your last covered employer for specific information about the health insurance coverage available to retirees. PEERS has no role in administering or enforcing this state law.

### The Effect of Divorce on Your Disability Benefits

See the *Service Retirement* section (page 66) for information about the effect of divorce on your PEERS benefits.

### Durable Power of Attorney

To ensure that there is no interruption in receiving your benefit payments, you should consider making plans for the possibility that you could become unable to manage your financial affairs.

You should consult with your personal attorney about the best way to plan for this possibility, but one popular approach is to prepare a document called a *Durable Power of Attorney*. With a *Durable Power of Attorney*, you can delegate to a family member or friend the authority to make direct deposit arrangements or sign necessary documents pertaining to your benefits.

The Retirement System cannot provide you with legal advice or prepare personal legal documents for you, so you should consult with your own attorney to ensure that any document, including a *Durable Power of Attorney*, specifies your wishes. You may also visit the website of the Missouri Bar Association at [www.mobar.org](http://www.mobar.org) for more information.

### Death After Disability Retirement

If you die while receiving PEERS disability benefits, the benefit payment for the month of your death is payable. If your sole beneficiary has an insurable interest in your life, he or she may be entitled to lifetime monthly retirement-based benefits. If there is a remaining balance of your contributions and interest, a lump-sum payment could be elected by your designated beneficiary(ies) instead of monthly benefits. Refer to the section entitled, *Death Before Retirement*, for detailed information (page 36).

### Income Tax on Disability Benefits

Under the Internal Revenue Code, the full amount of your disability benefit is considered taxable income. However, if your account contains previously taxed contributions, you are allowed to claim a portion of your monthly benefit as non-taxable income at the time when you would have reached, or if you have already reached, minimum normal service retirement eligibility, assuming you had

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been able to continue PEERS-covered employment. The non-taxable amount is determined as follows:

- If you made contributions to the Retirement System prior to July 1989, and/or made payments to reinstate or purchase creditable service using already taxed dollars, those funds have been recorded in your account as previously taxed and are exempt from additional tax.
- If you have previously taxed contributions, we use the Internal Revenue Code's Simplified General Rule to calculate the non-taxable portion of each PEERS benefit. Should you die before completely recovering your taxed contributions, any unrecovered taxed contributions at your (or the last annuitant's) death are allowed as a miscellaneous itemized deduction on the final return of the decedent. This deduction is not subject to the 2%-of-adjusted-gross-income limit.

If you have no previously taxed funds in your account, your entire benefit is taxable.

After you retire, PEERS will mail an IRS *Form 1099-R* to you after the end of each calendar year, indicating your total retirement payments for the year, the taxable portion of those payments, the tax-free amount recovered in the year, if any (shown as **employee contributions**), and the amount of tax withheld during the year.

**The retirement staff does not offer individual tax advice or information. Questions concerning taxes should be directed to a tax professional or to the appropriate taxing agency - the Missouri Department of Revenue at (573) 751-3505 or the IRS at (800) 829-1040.**

## Cost-of-Living Adjustments (COLAs)

Monthly PEERS disability benefits continue for the remainder of your lifetime unless you recover from your disability. As a disability retiree, you will become eligible for cost-of-living adjustments (COLAs) beginning the fourth January after your retirement (**page 60**).