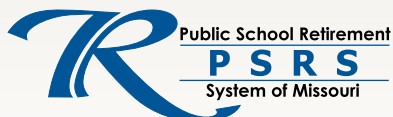




# PSRS Disability

## Benefits

- Eligibility Requirements
- Benefit Amounts
- How to Apply
- Tax Issues



*Partners in Your Retirement Security.*

PSRS provides monthly disability retirement benefits for vested members under age 60 who become totally disabled and unable to earn a livelihood in any occupation. Temporary or partial disability benefits are not available under the retirement law.

## Disability Definition

Disability, for PSRS 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 PSRS disability payments if:

- You are under age 60;
- You become permanently disabled while working in PSRS-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 PSRS service credit.

Temporary or partial disability benefits are not available under the retirement law.

Permanent inability to earn a livelihood is a prerequisite to approval of a PSRS disability retirement application. PSRS defines a “livelihood” as earning \$18,000 or more per year.

## How Much are PSRS Disability Benefits?

Your monthly disability benefit will be either:

- 90% of the service retirement benefit payable as though you were age 60 using the normal retirement formula based on your current membership, or
- 50% of your monthly salary for your last full year of credit, whichever is greater.

*Except*

- The disability benefit cannot exceed the service retirement benefit you would have received had you continued to work to age 60 at the salary rate in effect at the time of the disability.

**Example: For a member who is 44 years old with best three consecutive annual salaries of: \$35,000, \$37,500 and \$40,000 and 22.0 years of credit.**

- 90% of the service retirement benefit payable as though age 60 = \$1,547
- 50% of monthly salary for last full year of credit = \$1,667
- Service retirement benefit if the member had worked until age 60 at the same salary rate = \$3,167

So, this member’s disability benefit would be \$1,667 per month.

Monthly PSRS 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 second January after your retirement.

Please also see the section of this brochure entitled, “Income Taxes on Disability Benefits.”

## How to Apply for Disability Benefits

If you become disabled, contact PSRS 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. 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.

Your completed application must include the names of at least two physicians from whom PSRS will obtain medical information 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 PSRS. Approval or disapproval of your application by the PSRS/PEERS Board of Trustees will be based on the recommendations of the medical advisor as to whether your condition qualifies under the System's definition of disability.

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

## Post-Retirement Considerations

### 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. PSRS has no role in administering or enforcing this state law.

### Working After Disability Retirement

**Prior to age 60**, disability payments will stop if you are employed in any capacity by a PSRS-covered employer, or if you work for a non-covered employer and your compensation is considered a livelihood by the Board of Trustees (\$18,000 or more per year). Once you reach age 60, you can work for a non-covered employer with no effect on your benefit. **At age 60**, you may also work for a PSRS-covered employer part-time or as a temporary-substitute for up to 550 hours per school year or earn up to 50% of the annual compensation payable for the position, given your level of experience and education, with no effect on your benefit. If you exceed either of those limits, your benefit will be put on hold until your service terminates or a new school year begins. If you return to full-time service, your benefit will be put on hold, then reinstated after you terminate your employment.

### 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 PSRS benefits. School districts cannot fill the position of superintendent using this provision. Call PSRS for more information.

## What If I Want to Try to Return to Work Full-Time Prior to Age 60?

You can request to return to work full-time on a trial basis without putting your disability benefit in jeopardy. Trial return to work must be approved in advance by PSRS, 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, PSRS 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 PSRS to determine the status of your membership.

## What If I Recover From My Disability?

If you recover from your disability before age 60, your monthly payments will stop and your PSRS membership status as of the date of the disability will be restored. If you return to PSRS-covered employment, you will earn additional credit toward a future service retirement benefit. If you do not return to PSRS-covered employment, you may request a service retirement benefit when you reach minimum age and service requirements.

## What Happens to My Account When I Die?

If you die while receiving PSRS disability benefits, the benefit payment for the month of your death is payable. Your beneficiary(ies), if eligible, may be entitled to lifetime monthly payments under the Option 2 service retirement benefit plan, survivor benefits, or a lump-sum payment of any remaining account balance of your contributions and interest. A one-time, lump-sum \$5,000 death benefit provided by PSRS will also be paid to your beneficiary specifically designated to receive that benefit. See the *Member Handbook* or call PSRS for more information on death benefits.



## Income Taxes on Disability Benefits

### Federal Income Tax

Under the Internal Revenue Code (IRC), disability retirement benefits are fully taxable beginning with the first payment, unless your age at disability retirement is the minimum service retirement age as defined by the IRS. If you have already reached minimum service retirement age, or when you reach that age, the IRC provides that any previously-taxed contributions can be excluded from taxable income using the IRS “Simplified General Rule” with a small portion of each benefit possibly excludable from tax and considered a return of any previously-taxed contributions (remitted before July 1, 1989). Any credit purchases not paid with tax-deferred rollovers may also be excluded. Contributions after June 30, 1989, purchases paid with tax-deferred rollovers, and all interest credited to your account will be taxable when paid as a retirement benefit, a withdrawal of account funds, or a death benefit.

When you retire or when you reach minimum service retirement age, PSRS will inform you of the portion of your benefit, if any, which can be excluded from tax using the IRS “Simplified General Rule.” The excludable amount will remain the same with recovery of the amount spread



over your expected lifetime as projected by the IRS. After full recovery of your previously-taxed contributions, your benefits will be 100% taxable.

## State Income Tax

PSRS retirement benefits paid to Missouri residents are subject to Missouri state income tax.

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

Individuals receiving Social Security benefits, Social Security disability benefits and/or benefits from a non-private retirement system (such as PSRS) will be allowed to deduct some or all of those benefits from their adjusted gross income for Missouri tax purposes. Individuals must have an adjusted gross income of \$85,000 or less if single or \$100,000 or less if married and filing jointly to qualify for the maximum deduction.

After a six year phase-in period, Social Security recipients can deduct their entire benefit, per adjusted gross income level restrictions. Individuals receiving a retirement benefit from a public plan, including PSRS, are allowed to deduct

up to the maximum Social Security benefit available for that tax year. The maximum Social Security benefit available is adjusted for inflation every year at the federal level. Those individuals who receive both Social Security benefits and PSRS benefits will deduct their entire Social Security benefit first, then as much of their PSRS benefit until they reach the maximum deduction.

For more information about the portion of your PSRS benefits that may be exempt from Missouri income tax, visit <http://www.dor.mo.gov/tax/personal/ptc/pension.htm> or contact the Missouri Department of Revenue, P.O. Box 3022, Jefferson City, MO 65102-3022, telephone (573) 751-7191.

## Tax Withholding

PSRS can withhold federal and Missouri income tax from your retirement payments. After you retire, you will receive an IRS Form 1099-R after 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 PSRS staff is not qualified to offer individual tax advice or information. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.

## Frequently Asked Questions

**Q.** Do I have to resign with my employer before filing the *Application for Disability Retirement*?

**A.** No, you can file your application prior to your resignation date. However, when we receive your application, we request certification from your employer to verify your last day of covered employment or accrued sick leave. For this reason, you may want to let your employer know that you are going to file 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 application.

**Q.** How long does the disability application process take?

**A.** Most applications can be processed in 60 days, depending on when we receive required medical information from your physicians.

**Q.** When will my disability retirement be effective?

**A.** The effective date can be the first of the month following the termination of your covered employment. If you complete the school year and earn a full year of credit, the earliest your retirement can be effective is July 1. If you are an inactive PSRS member, your effective disability retirement date can be retroactive up to 60 days from the date your application is filed, but must be after your compensated employment or leave of absence ends.

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

**A.** Eligibility to receive long-term disability insurance benefits will 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.** If I need additional medical examinations, do I have to pay for the exams?

**A.** No. If we need additional information to make a determination on a total and permanent disability, we may request an examination from an independent examiner, at our cost.

**Q.** When will I receive my monthly benefit?

**A.** Your monthly retirement benefit will be issued by direct deposit on the last working day of each month, beginning with the last working day of the month your retirement becomes effective. If we don't have all of the information we need to process your application for the month your retirement is to become effective, you will receive your payment the month the application process is completed, along with a supplemental payment for any previous benefits due.

**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 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.

## Contact Us

This brochure is not intended to serve as a legal document or a substitute for the law or regulations governing PSRS. For further information, please refer to the PSRS *Member Handbook*, contact us at our office in Jefferson City or visit our Web site

[www.psr-speers.org](http://www.psr-speers.org)



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