

# UNDERSTANDING YOUR PERSI DISABILITY BENEFITS

If your career is cut short because of a permanent and total disability, you may be eligible for a monthly disability benefit from your PERSI Base Plan if you meet certain eligibility requirements. This booklet explains those benefits.

## Base Plan Disability Retirement

### Disability Requirements

Disability for retirement purposes is considered to be a total and permanent physical or mental impairment that prevents you from earning a livelihood. This means you cannot perform any work for compensation.

Temporary disability benefits are not available under the retirement law. Permanent incapacity is a prerequisite to approval of a disability retirement application. To be eligible for PERSI disability retirement:

- You must be totally and permanently disabled as a result of a physical or mental disease or injury while an active member, AND
- Your disability must result in substantially all avenues of employment being reasonably closed, AND
- You must apply no later than one year after you cease to be an active member, AND
- You must have 5 years of service. (You may be eligible from the first day on the job if you are disabled due to work-related causes.)

Based on medical and other evidence, the Retirement Board or its agent will determine whether you are eligible for disability retirement.

Disabilities resulting from service in the Armed Forces of the United States meeting the requirements of Idaho Code section 59-1302(23) qualify for disability retirement.

Disability resulting from an intentionally self-inflicted injury are excluded from a disability retirement benefit.

### Disability Allowance Formula

A disability retirement allowance is calculated using the formula on the next page.

If you have less than 360 months of service as of the date you are eligible for disability retirement, you will be given credit for the months of service you would have earned from the date of disability to the date you would have reached service retirement age (65 for general members/62 for police/firefighters) had you not become disabled (360 months of credited service maximum). In other words, PERSI will give you up to 30 years of credit or to age 65 for general members (age 62 for police/firefighters), whichever is less.

**EXAMPLE:** If you are a general member with 120 months of service and become disabled at age 50, PERSI will add 180 months (12 months x 15 years to age 65), to give you 300 months of service for your disability retirement.

### Disability Retirement Formula

Your Base Plan disability retirement benefit is based on your highest average monthly salary over a base period of 42 months, your total months of service, and a multiplier. A base period is the period of consecutive months during which you received your highest average monthly salary. This is usually at the end of your career, but may have occurred earlier.

The base period is set by Idaho law. In the early 1990s it was shortened from 60 to 42 months to improve benefits. Your benefit will be calculated using the formula in effect at the time of your last contribution to PERSI.

Formula Used to Calculate Base Plan Disability Retirement Benefits	
Your Average Monthly Salary During Base Period	_____
Multiplier	x _____
	= _____
Months of Service (including disability months)	x _____
Annual Benefit	= _____
	÷ 12
Monthly Benefit	= _____

### Applying for Disability Retirement

To receive a disability benefit you must meet disability eligibility requirements while you are an active PERSI member, you must be leaving your job because of your disability, and you must file your application *no later than one year* after ceasing to be an active member.

The first step in the disability application process is to contact PERSI at 1-800-451-8228 so a disability questionnaire and estimate can be sent to you. Once the form is completed and returned to PERSI, it will be reviewed to determine your eligibility. If you are eligible, PERSI will put you in contact with a third-party administrator (TPA) who will assist you through the application and review process.

The TPA will send you several forms to complete including:

- 1) Employee's Statement of Disability
- 2) Training and Educational Experience Questionnaire
- 3) Daily Activities Questionnaire
- 4) Attending Physician's Statement

With the information provided by you and your physician, the TPA will determine your eligibility for disability retirement. The entire determination process may take several months. You may contact PERSI or the TPA at any time during the process if you have questions.

## TIME LIMITS FOR FILING FOR DISABILITY BENEFITS WENT INTO EFFECT JULY 1, 2006

Until recently, there was no deadline for applying for disability retirement. As a result, inactive members were able to apply at any time if they could demonstrate they became permanently and totally disabled while still an active member. Under a law that went into effect on July 1, 2006, PERSI members applying for disability benefits have a limited period of time to file an application. Inactive members applying for PERSI disability benefits are now required to file their application no later than one year from the date of their last contribution. PERSI is interpreting this to be the day the member ceases to be an active member. Members go from being active to inactive when they are no longer eligible to accrue service and make contributions.

Don't Wait: In some cases, the one year count down for applying for benefits could begin while a member is receiving benefits from worker's compensation or short-term disability plans. Members who believe they are eligible for PERSI disability retirement should not wait until other benefits end to apply for the PERSI benefits or they may miss the deadline for applying. When possible, members should file their application before terminating employment or shortly thereafter, even if they are still uncertain about their ability to return to work.

Applying for disability retirement merely initiates the process, it does not guarantee approval. In all cases, as part of the review process members must meet the applicable disability standard while an active member.



### Medical Examinations

You will be required to provide medical information and may be required to undergo medical examinations both before and after the disability determination.

Refusal to submit to a medical examination, if requested before the beginning of a disability retirement or at any reasonable time thereafter, will be considered proof that you are not disabled.

### **When Disability Allowances Begin**

A disability allowance is payable on the first of the month following the latest of:

- The date salary, sick leave, or temporary disability benefits sponsored by your employer stop, OR
- Six months, depending on your employer, OR
- The completion of a 5-calendar-month waiting period following your last day of employment.

### **How Long Disability Allowances Continue**

You may continue receiving a disability allowance until the first of the month following whichever occurs first:

- The date of your death, OR
- The date your disability ceases, OR
- The date you would have been eligible for service retirement if you had remained an active member.

If your disability allowance is discontinued because you have reached service retirement age, your benefit will be converted to a service retirement allowance. At that time, you will be provided with options on different ways to draw the allowance and with information on the various options available to you.

### **Returning to Work: Law Modified in 2010**

PERSI disability law was modified by HB458 during the 2010 legislative session. If you are receiving disability retirement and attempt to return to work but are unsuccessful, you may resume your disability retirement if certain requirements are met. The requirements include giving PERSI's executive director advance notice of the return to work (upon the notification, your disability retirement payments shall terminate). Disability payments may resume if you terminate the attempted return to work within 150 days from the date of the notice, make a written request to the Retirement Board, and provide medical records and/or submit to a medical exam at your own expense (if requested by the Retirement Board). If the Retirement Board (and the third-party administrator) determines you could not successfully return to work because of the same disability on which your original disability was based, your disability retirement allowance may resume.

### **Death Benefits Payable While on Disability Retirement**

If you die while on disability retirement or while waiting for disability determination, and had named your spouse as beneficiary, your spouse has the option of a monthly benefit for his or her lifetime or a lump-sum death benefit consisting of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you.

If your spouse is not your beneficiary, the beneficiary may take a lump-sum payment of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you, or may waive rights to the benefit and opt to provide your spouse with a monthly benefit for his or her lifetime.

Death Benefit		
Example:	\$60,000	In your Base Plan account at time of disability
	<u>        </u>	
	x 2	
	\$120,000	
	- \$65,000	Paid to you while on disability
	<u>        </u>	
	\$55,000	Death benefit payable to your beneficiary

## Choice Plan Withdrawals During Disability

The PERSI Choice Plan 401(k) does not provide disability retirement benefits; however, if you end PERSI-covered employment you may withdraw your Choice Plan funds. As long as you have ended PERSI employment, you do not need to wait to be approved for the PERSI Base Plan disability to receive a Choice Plan distribution.

The withdrawal options available to you depend on your age and account balance. Depending on your individual circumstances, you may choose from a number of payment options including:

- A lump sum payment of all or part of your account.
- Leaving your assets in the plan, if the balance is \$1,000 or greater.
- A rollover to an eligible retirement plan [401(a), 401(k), 403(b), 457 or pre-tax IRA].
- Installment payments.
- A combination of these options.

If your account balance is more than \$5,000 and you are retiring, disabled, a spouse beneficiary, or if you have attained the Choice Plan's normal retirement age (50), you may choose any of the above options or a combination of the options. If your account balance is \$5,000 or less, you may not choose installment payments, but may choose any of the other options or a combination of them. Options are based on your account balance on the date you request a distribution.

### Lump Sum Payment Directly to You

Any amounts paid to you that are eligible for rollover to a qualified plan will be subject to federal tax withholding of 20 percent. You may also incur a 10 percent federal early distribution penalty if you are under age 59½. (You may be exempt from the 10 percent penalty if the Social Security Administration determines you are disabled. See page 6.) Generally, distributions not eligible for rollover will be subject to 10 percent federal withholding, unless you elect a different rate. A lump sum payment is generally considered taxable income and taxed at the same rate as your other income during the year of distribution. Whether the 20 percent withholding covers all of the taxes due on your distribution will depend on your personal tax situation. You may owe additional taxes or you may be eligible for a refund. You will also be responsible for state taxes, if any.

### **Leave Your Funds in the Choice Plan**

If your account balance is \$1,000 or greater, you may leave your funds in the Choice Plan until a later date or until retirement. The funds will be subject to minimum distribution requirements when you turn age 70½. By leaving money in the Plan, you defer paying taxes. You will be responsible for paying the annual record keeping fee to maintain your account starting 90 days after you terminate or retire. These fees will appear as a single charge on your quarterly statement.

### **Rollover to an IRA or Eligible Retirement Plan**

You may transfer your Choice Plan account balance via direct rollover into an eligible retirement plan [401(a), 401(k), 403(a), 403(b) and 457] or pre-tax Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

### **Installment Payments**

You may receive monthly payments from your Choice Plan account. Monthly installments can be paid:

- 1) In a fixed monthly amount (not to exceed 120 months), OR
- 2) In substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your beneficiary.

Installment payments are available only upon retirement, attainment of age 50, disability, or your death if your beneficiary is your surviving spouse. This option is only available if the balance is more than \$5,000. You will be responsible for the record keeping fees to maintain this account during the time the installment payments are being made. The installment option may be affected by minimum distribution requirements when you turn age 70½.

## **Other Disability Related Information**

### **Social Security Administration Disability Exempts 10 Percent Early Withdrawal Penalty**

You may qualify for a disability distribution from your Choice Plan if the Social Security Administration determines you are disabled. Under Social Security disability you are exempt from the 10 percent early distribution penalty for lump sum payments. You must provide PERSI with a copy of your Social Security Disability Insurance Notice of Award letter to receive the exemption.

### **Workers' Compensation**

Your disability retirement amount may be offset by lump sum and periodic Workers' Compensation benefits. If Workers' Compensation benefits are paid, your PERSI disability benefit will be reduced by the amount of the Workers' Compensation benefit not being offset by Social Security. You will be asked to provide PERSI with specific dollar offset amount information from Social Security.

## **Additional Benefit For Public Safety Officers**

Effective July 1, 2009, public safety officers injured in the line of duty and determined to be permanently disabled by PERSI, may be eligible for an additional one-time lump sum payment of \$100,000. Application is made through the Retirement Board who will confirm the disability occurred in the line of duty, was not caused intentionally or through misconduct, and the officer was not voluntarily intoxicated at the time of the injury.

## **Military Service and Disability**

Members who become disabled as a result of their United States military service are eligible to apply for PERSI disability. These applicants would still have to meet other eligibility requirements and meet the disability criteria to qualify to receive benefits.

## **NCPERS Insurance**

If you are enrolled in the National Conference on Public Employee Retirement Systems (NCPERS) life insurance program, you may continue in the program if you become disabled. To continue coverage without having to pay premiums, you should file a *Waiver of Premiums Notice* through your employer. To qualify for a waiver of premiums you must become disabled before age 60.

PERSI does not administer NCPERS insurance. Questions regarding NCPERS should be directed to:

American Administrative Group  
A Division of the Parker Group  
10303 E. Dry Creek Road, Suite 200  
Englewood, CO 80112  
1-800-525-8056

## **Health Insurance Coverage**

### **State of Idaho Employees Only**

If you are an employee of the State of Idaho, you may be able to stay on your employer's health insurance plan for up to 30 months before you must enroll in the state retiree group plan. Contact the Office of Insurance Management toll-free at 1-800-531-0597 or 208-332-1860 for more information.

### **School Employees Only**

If you are a school employee, you may be eligible to enroll in your employer's retiree health insurance program and have your premiums deducted from your monthly disability retirement benefit. Contact your school district for more information.

## **Taxes on Disability Retirement Benefits**

### **Federal Tax Withholding**

Retirement benefits are generally taxable under the Internal Revenue Service (IRS) tax code. At the time of your retirement, PERSI will provide you with an RS-322 Tax Withholding form. Unless you specify "no withholding" on the form or choose a specific marital status and number of exemptions, the federal tax on your monthly benefit will be withheld at the rate appropriate for a married person with three exemptions.

IRS Publication 575 discusses pension and annuity income tax liabilities. PERSI suggests you read this publication or review it with your tax advisor.

Each January, PERSI provides a 1099-R notice to each retiree. This is a statement of the gross allowance paid to you and taxes withheld for the past year. It will be coded as a disability distribution. You will also receive notification any time the net amount of your benefit changes.

Taxes have already been paid on Base Plan contributions made prior to July 1, 1983. If you made contributions prior to that date, a percentage of your monthly retirement allowance will not be taxable until those taxed contributions have been paid out to you.

### Idaho State Tax

PERSI retirement benefits paid to Idaho residents are subject to Idaho state tax, with certain amounts deductible based on individual tax filing status. According to the Idaho Tax Commission, PERSI benefits paid to retirees living outside Idaho are not subject to Idaho state income tax withholding.

PERSI will deduct Idaho state income tax from your retirement payments if you authorize withholding by completing an RS-322 Tax Withholding form.

**PERSI staff is not qualified to provide individual tax advice or information. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.**

### False Claims for Benefits

It is important to make sure the information provided with your application for disability retirement is true and accurate. It is unlawful for any individual (including all PERSI members, retirees, spouses, and other family members or beneficiaries) to file false claims for benefits from PERSI. Providing false information in connection with your efforts to obtain or retain disability benefits can be prosecuted under both state and federal law.

Public Employee Retirement System of Idaho

Toll-free 1-800-451-8228 or 208-334-3365

#### Headquarters

607 North 8<sup>th</sup> Street  
Boise, Idaho 83702

#### Field Offices

2005 Ironwood Pkwy, Suite 226  
Coeur d' Alene, Idaho 83814

1246 Yellowstone Avenue, Suite A-5  
Pocatello, Idaho 83201

The information in this booklet is also available  
on PERSI's website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Information in this brochure is based on 2014 law; therefore, some information may not apply in specific cases. This publication is intended to explain PERSI law as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. Members of the Firefighters' Retirement Fund, Idaho Falls City Police, and Boise City Police may have different benefits.*