



Disability Benefits

for Plan 2 and 3 members of the Public Employees' Retirement System (PERS) and the School Employees' Retirement System (SERS)

If you are a member of PERS Plan 2 or Plan 3 or SERS Plan 2 or Plan 3 and you become disabled, you may be entitled to disability benefits. This publication describes disability retirement benefits and how to apply for them. The Department of Retirement Systems (DRS) recommends that you contact a retirement services analyst if you plan to apply for disability retirement.

Am I eligible for a disability retirement?

To qualify for a disability retirement, you must clearly establish that you are totally incapacitated for continued employment by your employer (PERS) or by a school district or educational service district (SERS) and are leaving that employment as a result of your disability.

You must file an application with DRS to be considered for disability retirement benefits. DRS will use the information in your application to determine your eligibility.

You may apply for disability retirement even if you are eligible to receive a service retirement. Your benefit amount will be the same with either retirement type, but the tax treatment may be different. Consult a tax advisor for more information.

You do not need a minimum amount of service credit to be eligible for a disability retirement.

How do I apply for disability retirement?

You must take the following steps to apply for disability retirement:

Step 1. Request an application packet and estimate of benefits by contacting DRS. Please be prepared to give us the following information:

- Name
- Address
- Phone number
- Social Security number
- Retirement system and plan
- Spouse's* name and birth date (if married)
- The date you became disabled
- Whether or not the disability was incurred during the performance of your job.

Step 2. Read through all of your application packet materials. There are three separate parts to the application that must be completed by different individuals and then returned to DRS.

- **Part 1 of 3,** Application for Disability Retirement, complete, sign and have notarized. If you are married, your spouse's signature must also be notarized;
- **Part 2 of 3,** Employer's Statement and Report, complete the Member Information Section, then send the form to your employer. They will complete the remainder of the form, sign and mail it to DRS;

*Civil Marriage law allows same-sex couples to marry and entitles all spouses, (regardless of gender) to equal rights in PERS Plan 2. Same-sex marriages are not recognized in federal law, so there may be differences in how taxes are handled at the federal level.



- **Part 3 of 3**, Medical Report, complete the Member Information Section, including the Mandatory field, then send the form and a copy of your job description to your physician. Your physician will complete the remainder of the form, sign and mail it along with supporting documentation to DRS.

DRS will not begin the application review process until all three parts have been received. In most cases, the determination process takes four to six weeks. The process may take longer if DRS finds that your application requires supporting documentation. We will contact you if we need more information. Examples of supporting documentation include:

- All medical records, reports and charts pertaining to your disabling condition;
- Complete physician information, especially if you are being treated by more than one doctor;
- Copy of your Social Security Administration disability award letter and any additional medical information provided to the Social Security Administration;
- Clarification from your employer regarding your job specification information;
- Department of Labor and Industries or self-insurer file documentation such as Report of Accident (ROA), Independent Medical Examinations (IME), medical and vocational records.

You may submit any of the preceding information with your application to help expedite the determination process.

If you choose, you may apply for disability retirement and receive a determination of eligibility from DRS before separating from employment. If you have already separated you may still apply for disability retirement as long as you were disabled at the time of your separation.

What happens once I receive a determination from DRS?

If you receive a denial

You may petition for a review within 120 days of receiving the denial. If your petition is denied, you will be informed of appeal procedures. You will have 60 days to appeal the decision.

If you are approved

DRS will mail you an approval letter with additional information. You must separate from employment in order to begin receiving your benefit.

If you continue to work and have not separated employment within 90 days of your approval date, DRS will rescind its approval. You must reapply and submit current medical evidence to be considered for a benefit.

Your retirement date is the first of the month following your date of separation. For example, if your application is approved on May 4, and you separate from service on May 15, your retirement date is June 1 and you will receive your first benefit on the last working day of June.

How is my disability retirement benefit calculated?

The Plan 2 monthly benefit is calculated using the following formula:

$$2\% \times \text{service credit years} \times \text{average final compensation} = \text{monthly benefit}$$

(then reduced if retiring before age 65)

The Plan 3 monthly benefit is calculated using the following formula:

$$1\% \times \text{service credit years} \times \text{average final compensation} = \text{monthly benefit}$$

(then reduced if retiring before age 65)

Average final compensation (AFC) is the monthly average of your 60 consecutive highest-paid service credit months. AFC does not include payments for any type of severance pay, such as lump sum payments for deferred sick leave, vacation or annual leave.

Note for Plan 3 members: You can access your defined contribution funds any time after you separate from system-covered employment.

How is my disability benefit reduced if I retire before age 65?

Any retirement before age 65 is an early retirement. Your benefit depends on how much service credit you have earned, your age and the early retirement factor applied.

If you have at least 10 service credit years (Plan 3) or 20 service credit years (Plan 2), you can retire at or after age 55 with a reduced benefit. However, an early retirement factor is applied as you will be receiving your benefit over a longer period of time.

If you have 30 or more years of service credit, there's still a reduction to your benefit, but it will be less. With 30 or more years of service credit, you can retire at or after age 55 under one of two provisions:

- A benefit that is reduced by three percent for each year (prorated monthly) before age 65; or
- A smaller (or no) reduction in your benefit, but stricter rules on returning to public service employment (your pension stops if you return to public service and doesn't start again until you've left employment or reach age 65).

The second provision is referred to as the 2008 Early Retirement Factors (ERFs).

If you retire on or after July 1, 2008 (PERS) or September 1, 2008 (SERS) and have 30 years or more of service credit, you can choose either the three percent reduction or the 2008 early retirement factor, which provides a smaller benefit reduction but imposes stricter return to work rules.

The early retirement rules are different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by five percent for each year (prorated monthly) before age 65.

For more information, see the DRS publication, *Thinking About Retiring Early?* available online.

What is the lump sum payment option?

Plan 2 members:

If your monthly benefit is \$50 or less, you may choose to receive a lump sum payment instead of the monthly benefit. If you choose a monthly benefit you will not be eligible to withdraw your contributions.

Plan 3 members:

If your monthly benefit is less than the minimum payment, you may choose to receive a lump sum payment instead of the monthly benefit. The minimum monthly payment amount is indexed and changes each year. For the current minimum monthly payment amount, please contact DRS.

If you qualify, DRS will provide you with the lump sum payment option at the time you receive an estimate. If you choose a lump sum disability payment, you will be considered retired and ineligible for any further benefits from PERS or SERS. Your decision is permanent and cannot be changed later.

Am I eligible to purchase service credit for temporary disability leave?

You have the option to apply for up to 24 months of service credit while on leave for a disability. To qualify:

- Your disability must have occurred in the line of duty; and
- You must have received your injury on or after March 27, 1984, and be eligible to receive workers' compensation benefits; and

- You must make retirement contributions on the compensation you would have earned had you been working. DRS charges interest if the payments are made for a retroactive period.

For more information on how to apply for temporary disability service credit, contact DRS.

Can my benefit increase after I retire?

On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index to a maximum of three percent per year.

Can I lose my benefit?

If you are receiving a monthly disability benefit, DRS may require you to undergo comprehensive medical examinations at the expense of DRS. You are responsible for ensuring that your doctor reports any and all changes in your disabling condition to DRS.

If medical examinations show that you have recovered from the disability for which DRS granted a disability retirement, you may no longer be eligible to receive a retirement benefit.

Your disability retirement benefit may also be affected if you return to work. In some cases, depending on the position and the extent to which you work, your retirement benefit may be suspended. If you decide to return to work call DRS to determine how your benefit will be affected.

If you take your disability in a lump sum and return to work and return to PERS or SERS membership, you must pay back the lump sum you received, minus the monthly amount for which you were eligible, plus interest.

What if there is an error?

If you receive an overpayment of your disability benefit or refund, DRS will require that the overpayment be repaid. If you receive an underpayment, DRS will correct the error and pay you in full.

Am I eligible for continuing medical coverage?

If your medical coverage is provided by the state Health Care Authority (HCA), please contact them for information concerning continuation of coverage. HCA can be reached at 800-200-1004, or in Olympia at 360-725-0440.

If you're retiring as a public safety officer, you may be able to exclude up to \$3,000 of your qualified health, accident and long-term care insurance premiums from your gross taxable income each year, as long as the premiums are deducted from your retirement benefit.

Other possible disability benefits

You may also be eligible for disability-related benefits from the Department of Labor and Industries (workers' compensation benefits), Department of Social and Health Services, the Social Security Administration, your employer, or disability insurers. Please contact these organizations directly for more information.

The benefits you receive from Department of Labor and Industries, the Social Security Administration or other disability insurers do not affect your benefit amount with DRS. However, the benefit from DRS may affect other benefits. Please contact these organizations directly for more information.

Taxation and assignment of benefits

Federal income taxes

Disability benefits are taxed as ordinary income until minimum retirement age. You may be able to receive tax credits for the elderly or disabled as explained in the Internal Revenue Service (IRS) Publication 524.

You must complete a W-4P form to indicate how you want income tax withheld from your retirement benefit. If you do not, DRS will follow IRS rules requiring withholding as if you were married and claiming three exemptions. This is regardless of the number of exemptions you qualify to claim on your income tax return.

Assignment and attachment of benefits

Your retirement benefit may be subject to assignment or attachment to satisfy court and administrative orders for spousal maintenance and child support, or orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, refer to the publication *Can Legal Action Affect My Retirement Account?* available from DRS or on our website at www.drs.wa.gov.

Contacting DRS

For more information about your plan, refer to your *PERS or SERS Plan 2 or Plan 3 Member Handbook*, visit the DRS website, or contact DRS directly. DRS office hours are 8 am to 5 pm, Monday through Friday, except legal holidays.

Website: www.drs.wa.gov

Phone: 800.547.6657, or
360.664.7000 in the Olympia area

TTY: 711

Email: recep@drs.wa.gov

Address: PO Box 48380
Olympia, WA 98504-8380

PERS/SERS2_3DB_122014

Summary Description

The rules governing disability are contained in state retirement law. This publication is a summary, written in non-legal terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication, and what is contained in the law, the applicable law will govern.