SERS

Disability Benefits

If you are a member of the School Employees' Retirement System (SERS) Plan 2 or Plan 3 and you become disabled, you may be entitled to disability benefits. This publication describes disability benefits and how to apply for them. The Department of Retirement Systems (DRS) recommends that you contact a SERS retirement services analyst if you plan to apply for disability benefits. See "How Do I Apply?" on page 2.

Other possible disability benefits

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

Eligibility

You may be eligible for disability benefits if you:

- become totally incapacitated for continued employment by an employer covered by SERS, and
- leave that employment as a result of the disability.

No minimum amount of service credit is required for you to be eligible for a SERS disability retirement benefit.

Benefits

If you qualify, you will receive a monthly benefit that is based on your average final compensation (AFC) and your years of service credit at the time you separate from service.

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

two percent
x
service credit years
x
AFC

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

one percent
x
service credit years
x
AFC

AFC is the average of your 60 consecutive highest-paid service credit months.

Your benefit will be actuarially reduced to reflect the difference between your age at retirement and age 65, and to reflect the choice of a survivor option. If you retire at age 55 and have at least 30 years of service credit, your benefit reduction is set at three percent per year that you are under age 65.

If you are receiving a monthly disability retirement benefit, you may be subject to comprehensive medical examinations, as required by SERS.

Lump sum payment instead of monthly benefit

If your Plan 2 monthly benefit will be less than $50, or your Plan 3 monthly benefit will be less than $100, you may choose between the monthly payment or payment in a lump sum.

If you receive a lump sum disability payment, you will be considered retired and ineligible for any further benefits from SERS. If your medical coverage is provided by the state Health Care Authority (HCA), you should contact

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the HCA for information concerning continuation of coverage, and a life insurance waiver. The HCA may be reached via telephone at (360) 923-2600 or on the Web at *www.pebb.hca.wa.gov*.

Purchase of temporary disability service credit

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 contributions on the compensation you would have earned had you been working. Interest is charged if the payments are made retroactively.

For more information on how to apply for disability service credit, write to DRS. See Contact DRS for address information.

Survivor options

When you apply for disability retirement, you must select a benefit option. You may choose an option which will continue paying benefits to a survivor.

If you are married, the law requires that you provide your spouse's consent to the benefit option that you choose. This consent must be in writing and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 (Joint and 50 Percent Survivorship) benefit be paid with your spouse as the beneficiary. The Spousal Consent Authorization is contained in the Disability Retirement Application.

If, at retirement, you chose one of the survivor options listed below (options 2, 3 or 4), and your designated beneficiary dies before you, be sure to contact DRS. Your retirement benefit payment will be adjusted to the higher Option 1 payment level.

Option 1: Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

Option 2: Joint and 100 Percent Survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3: Joint and 50 Percent Survivorship

This option also provides an actuarially reduced benefit, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4: Joint and 66.67 Percent Survivorship

Option 4 also provides a benefit that is actuarially reduced. The reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Returning to work

If a medical examination shows that you have recovered from your disability, and you are offered employment by a SERS-covered employer at comparable pay, you will no longer be eligible to receive a disability retirement benefit. See the *SERS Plan 2 Member Handbook* or *SERS Plan 3 Member Handbook* for a definition of covered employer.

Designating a beneficiary

Be sure to keep the beneficiary designation in your SERS record up-to-date. Your beneficiary designations are canceled by divorce unless the divorce decree provides otherwise.

Once you retire, you may change your benefit option and beneficiary only by returning to active membership for 2 consecutive years of uninterrupted service, except

in the following circumstances: If you choose a survivor option (2, 3 or 4) and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 payment level.

If you choose a survivor option and name someone other than a spouse as beneficiary, you can change to Option 1 after retirement. This option can be used only once and is irrevocable.

If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change between your first and second year of marriage. If you change to a survivor option, your benefit will be actuarially reduced. This option can be used only once and is irrevocable.

If you choose the Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary.

If you choose a survivor benefit option (Option 2, 3 or 4) at retirement, you must select a person as your beneficiary.

To change your beneficiary, you must complete a *Beneficiary Designation* form, available from your payroll department or DRS.

How to apply for disability retirement benefits

You may apply for disability retirement and receive a determination of eligibility before separating from employment.

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

1. Request an application by writing a letter to SERS. See Contact DRS for the mailing address. In your letter, include the following:

- Name
- Address
- Daytime phone number
- Social Security number
- Retirement system and plan
- Spouse's birth date
- Date you became disabled
- Whether or not the disability was incurred on the job

2. Once you have received your packet, make sure all three parts of the SERS application are completed and returned to DRS.

- Part 1, the Disability Retirement Application, which you must complete, sign and have notarized;
- Part 2, the Employer Statement and Report, with Section 1 completed by you and Sections 2, 3 and 4 completed and signed by your employer;
- Part 3, the Medical Report, with Section 1 completed by you and Sections 2, 3 and 4 completed and signed by your physician.

Once Part 1 of the Disability Application is date-stamped by DRS you have applied for disability retirement. In the case of death, the postmark can be used as the date of application, as long as it is prior to the date of death. Receipt of Part 2 or Part 3 does not constitute filing of an application for disability retirement. DRS will not grant or deny disability retirement until all three parts of the application have been received.

Following receipt of all three parts of your application, SERS will determine whether you are eligible to receive benefits. In most cases, the determination process takes no more than two weeks. The process may take longer if SERS requires additional information from you or other agencies concerning your application. You will be contacted if more information is needed.

3. You will not receive a benefit until you have separated from employment. Your application may be processed if you are no longer working or are using authorized sick leave or annual leave. If you are working full-time or part-time and have not separated within 90 days of the application approval date, DRS will rescind its approval. If you subsequently become totally incapacitated for further performance of duties, you may reapply and submit current medical evidence for consideration.

Appealing a decision

If SERS denies your application for benefits, 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.

Errors

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.

Taxation and Assignment of Benefits

Federal income taxes

Duty disability benefits are not taxable. Non-duty 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 Publication 524.

You must complete a W-4P form to tell DRS how much of your benefit you want withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you were married and claiming three exemptions. You are responsible for declaring the proper amount of taxable income on your income tax return.

Assignment and Attachment of Benefits

Your retirement benefits 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 a Legal Order Affect My Retirement Account?*

Where to find more information

Refer to your *SERS Member Handbook*, visit the DRS Web site, or contact DRS directly. DRS office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays. Before visiting, please call to schedule an appointment.

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Summary Description

The actual provisions governing your benefits are contained in the Revised Code of Washington (41.37 RCW). This publication is a summary of those provisions, 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.