

# Department of State Treasurer



*Information presented in this presentation is based upon current legislation and is subject to change without notice. This material is to be used for training purposes only. Please contact the Retirement System for guidance or assistance with specific questions.*

# Disability Plans Administered by the Retirement Systems Division (RSD)

- Disability Income Plan of North Carolina (DIPNC)
  - Short-Term (paid by employer)
  - Preliminary Long-Term (paid by employer)
  - Extended Short-Term
  - Long-Term
- State Disability Retirement
  - Projection to age 65
  - Projection to first unreduced retirement

# Types of Service

- **Contributing Membership Service**
  - 6% of the employee's gross monthly wages and salary
  - Set by state law, not voluntary
  - Condition of employment
- **Non-contributing Service**
  - Service time for which a member receives retirement credit, that they did not pay for and which 6% was not withheld from their check
  - Examples include free military service, short-term, and extended short-term disability
- **Creditable Service**
  - Sum of all service credits added together (includes unused sick leave)

# Short-Term Eligibility

- One contract year of contributing membership service within the 36 calendar months preceding the date of disability
- Must be determined to be mentally or physically disabled for the further performance of their usual occupation
- Disability must have been incurred at the time of active employment, exhausting leave, or Temporary Total Workers' Compensation
- Disability must have been continuous

**A member may apply for short-term even if the member is already eligible for an unreduced retirement benefit**

# Short-Term Waiting Period

- No benefits from the Plan for a period of 60 calendar days
- The date of disability (60 day waiting period) begins the latter of:
  - the day following the last day the member physically worked,
  - the day the Physician certified the disability, or
  - the day following 365 calendar days of employment as a State teacher or a State employee.
- A member may receive pay by exhausting employer approved leave

# Duration of Short-Term

- Benefits are payable after the conclusion of the waiting period
- May not exceed 365 calendar days

# Exception

## In the event of the:

- **death** of the member during the last month of the short-term period
- **retirement** of the member the month following the expiration of the short-term period

The employer will pay the full month's short-term benefit, even if it results in payments exceeding 365 days of short-term disability

# Termination of Benefits

- May occur for any of the following reasons:
  - Return to contributing membership position with Teachers' and State Employees' Retirement System (TSERS)
  - Consistently exceeds earnings
  - Medical Board rejection
  - Member's request

# State Disability Retirement

- DIPNC became effective January 1, 1988 as the State's new disability plan
- Vested members prior to January 1, 1988 may qualify for both disability plans as a result of class action lawsuit (settled April 1997)
- Members who qualify will be given an option of disability plans
- There are pros and cons to each disability plan

# State Disability Retirement

## Eligibility

- At least 5 years of contributing membership service prior to July 1, 1982
  - projected to age 65
- At least 5 years of contributing membership service prior to January 1, 1988
  - projected to first unreduced retirement

# Procedures

## **We recommend that:**

- Eligible Disability Retirement applicants first apply for short-term disability
- 90 days prior to the conclusion of short-term, the member should apply for long-term disability
- If approved, a comparison of benefits (and all applicable paperwork) between DIPNC and Disability Retirement will be mailed to the member
- The member will then decide which plan to choose

# Procedures

- If Disability Retirement is elected, all prior benefit payments will be recalculated as if they elected Disability Retirement at the onset of the benefit payments
- This may result in an underpayment or overpayment for the member
- Member will elect payment option (Form 7E), similar to service retiree
  - Survivorship options have greater reductions

# DIPNC vs. Disability Retirement

Disability Retirement = **\$1,500/month**  
(12 months x \$1,500 = **\$18,000**)

Short-Term Disability = **\$1,250/month**  
(12 months x \$1,250 = **\$15,000**)

**\$18,000** (Disability Retirement )

**\$15,000** (Short-Term Disability)

**\$3,000** Underpayment of benefits

# DIPNC vs. Disability Retirement

Disability Retirement = \$1,000/month  
(12 months x \$1,000 = \$12,000)

Short-Term Disability = \$1,250/month  
(12 months x \$1,250 = \$15,000)

**\$12,000** (Disability Retirement )

**\$15,000** (Short-Term Disability)

**\$3,000 Overpayment of benefits**

# Procedures for Disability Retirement

**Member may apply for Disability Retirement at the onset**

- **Form 7 – Requesting Disability Retirement Benefits**
- **Form 7A**
- **Job Description**
- **Proof of Birth**

**Retirement forms must be submitted at least 1 day prior to the effective Disability Retirement date**

**Cannot apply retroactively**

# Benefit Calculation

Average Final Compensation - AFC  
(48 consecutive months of salary)

X

1.82%

X

Years of service (including  
projection)/12=  
maximum monthly benefit

# Projection to Age 65

## Treatment of sick & annual leave

- Sick leave is added to service **after** projection is made
- Annual leave, along with any prorated longevity, is paid in lump sum and may be calculated in the AFC

# Jeffery Smith

- Date of Birth – Jun 1, 1957
- Entered service - Jun 1, 1977 (age 20)
- Retires - Jan 1, 2001
- Sick leave - 101 days = 6 months
- Actual Service - 23.5833 years  
(23 years and 7 months)
- Age 65 (45 years) - Jun 1, 2022
- 21.4167 years of service added
- .5000 (6 months) of sick leave is then added
- Total service with sick 45.5000 years of service  
(45 years and 6 months)
- AFC - \$35,000.00

# Benefit Calculation

\$35,000.00 (AFC)

x .0182

\$637.00

\$637.00

x 45.5000 (service)

\$28,983.50

\$28,983.50 / 12 = **\$2,415.29**

(maximum monthly benefit)

# Projection to First Unreduced Retirement

## Treatment of sick & annual leave

- Sick leave is added to service **before** service projection is made
- Annual leave, along with any prorated longevity, is paid in lump sum and may be calculated in the AFC

# Susie Smith

- Date of Birth – Dec 1, 1962
- Entered service – Dec 1, 1981 (age 19)
- Retires - Jan 1, 2001
- Sick leave - 101 days = 6 months
- Actual service – 19.0833 years  
(19 years and 1 month)
- 6 months of sick leave is added - 19.5833  
(19 years and 7 months)
- 1<sup>st</sup> unreduced (30 years) - Dec 1, 2011
- 10.4167 years of service added
- AFC - \$35,000

# Benefit Calculation

$$\begin{array}{r} \$35,000.00 \text{ (AFC)} \\ \underline{\quad \times .018} \\ \$637.00 \end{array}$$

$$\begin{array}{r} \$637.00 \\ \underline{\times 30.0000 \text{ (Service)}} \\ \$19,110.00 \end{array}$$

$$\$19,110.00 / 12 = \mathbf{\$1,592.50}$$

(maximum monthly benefit)

# Offsets

Disability Retirement is **not** offset for  
Social Security, Workers'  
Compensation, or Veterans benefits

# Re-Examinations

- The Medical Board periodically reviews the disability status of each member
- The Retirement System will notify each member at least 60 days prior to the re-examination date

**RSD will not pay for any re-examination costs or fees**

# Taxation

- Subject to Federal and North Carolina Income Tax
- Due to the Bailey case, if a member was vested on or before August 12, 1989 the benefit is exempt from North Carolina State income tax
- Not subject to FICA since it is a retirement benefit

# Statement of Income (SOI)

- Mandatory annual report of earnings
- Mailed to the member by the Retirement System in February
- Must be returned by April 15th
- Failure to report may result in suspension of benefits

*Applies to all disability plans  
(DIPNC and Disability Retirement)*

# Earnings Restrictions

- Contributing membership position with TSERS
  - Benefits cease with no reinstatement
- Non-contributing TSERS
  - Subject to annual earnable allowance
- Employment with non-TSERS employer (local or private)
  - Subject to annual earnable allowance

**Member may contact the Retirement System to request an Earnable Allowance**

# Overpayment of Earnings

- If earnings are exceeded, the Retirement System notifies the member of the amount
- Payment arrangements are provided to the member
- Alternate payment arrangement requests are subject to approval by RSD

# Service Earnable Allowance

- When member reaches the date when they would have been eligible for service retirement, the Disability Retirement earnings restriction ceases
- Now subject to a service earnable (greater of 50% of the last year's salary or \$28,060)
- Adjusted annually by Consumer Price Index

# Death Benefit

- Equal to the highest 12 months salary during the 24 months preceding the death
- Minimum/\$25,000.00;  
Maximum/\$50,000.00
- In force for 180 days from the last day worked or exhausted leave

# Optional Benefits

- Health Insurance
- Contributory Death Benefit (CDB)
- Dental Insurance
- Vision Insurance

# Health Insurance

(first hired prior to October 1, 2006)

- Member must have 5 or more years of contributing membership in the TSERS
- The health insurance is effective the first of the month following the month of retirement
- When a retiree becomes eligible for Medicare the retiree must elect parts A and B of Medicare to maintain the same level of coverage
- Members do NOT have to elect Medicare Part D

*Medicare is primary if a member is retired*

# \$10,000 Contributory Death Benefit

- 60 days from retirement to elect
- Member must live for 2 full years
- 24 payments
- One-time election
- The beneficiary is the surviving spouse
- If no surviving spouse, the beneficiary is the member's estate

# Contributory Death Benefit

- If for any reason retirement benefits are stopped, the member must continue to make premium payments
- Member will be billed for monthly premiums by the Retirement System
- Member will not be given another opportunity to elect coverage, if the monthly premium is not received

# Dental/Vision Insurance

- Coverage is offered through State Insurance Services (SINSS)
- SINSS will send the information to the retiree once we receive the Application for Retirement (Form 7)

# Dental/Vision Insurance

- If elected, payment is deducted from monthly benefit
- If not elected, the retiree must contact SINSS to elect coverage at a later date (open enrollment)
- All correspondence concerning dental and vision insurance will be handled by SINSS (1-800-462-7864)

# Internet Member Services

[www.myncretirement.com](http://www.myncretirement.com)

- Download and view Benefit handbooks
- Review frequently asked questions
- Estimate monthly retirement benefits
- Estimate of cost to purchase service
- Download/complete applications and forms used by the Retirement System

**Office visits require  
an appointment**

## **Retirees**

Local: 733-4191

Toll Free: (877) 733-4191

## **Active**

Local: 807-3050

Toll Free: (877) NCSECURE  
(877) 627-3287

**Website:** [www.myncretirement.com](http://www.myncretirement.com)

**E-Mail:** [nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)

**Fax:** (919) 508-5350