

Department of State Treasurer



North Carolina Retirement Systems

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.

1

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

Short-Term Determinations

- Determination made by the employer
- Determination made by the Medical Board
(initiated by employer or member)

Employer Determination

- **Form 701** - Requesting Short-Term Benefits Through the Disability Income Plan of North Carolina - completed by the employee
- **Form 703** – Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review – completed by employee and physician – first/original
 - The 703 will need to be completed every 30 days to ensure payment to the member
 - The 703 needs to be provided to the employer every 30 days to ensure that the disability has remained the same
 - Employer cannot pay beyond the date the physician signs the 703
- Employer can request a **7A** (Medical Report) from the member

Medical Board Determination

- **Form 700** – Employer Information
Required for Member Disability Benefits –
completed by employer
- **Form 701**
- **Form 703** – first/ original
- **Form 7A** - current (within six months)
- **Job Description** – supplied by the
employer

Medical Board Determinations

- Approved
- Additional Medical Requested
- Rejected

Copies of all determination letters are mailed to the employer

Approved

- Approval letter mailed to member

Additional Medical Requested

- Letter requesting additional medical information is mailed to member
- Member has 90 days to submit the additional requested information
- When the requested additional information is received, the file is again sent to the Medical Board for review
- If the additional medical information is not received within 90 days of the request, the application will be cancelled

Rejected

Letter rejecting member's application is mailed to the member

Member has 90 days to submit new information to prove disability

If new medical information is received, the file is again sent to the Medical Board for review

If new medical information is not received within 90 days of the rejection, the application will be cancelled

Preliminary Long-Term

- If the physician indicates that the disability is likely to be permanent or last the full 365 days of short-term
- Preliminary long-term does not automatically qualify a member for long-term disability
- If approved, the Physician Certification on the back of the 703 is not required
- The member must still complete the Employee Certification on the 703 each month to declare earnings

Preliminary Long-Term

- **Form 700**
- **Form 701**
- **Form 703** - first/original
- **Form 7A** – current (within six months)
- **Job Description** – supplied by employer

Extended Short-Term

Apply 90 days before the conclusion of short-term

- Must complete 365 days of short-term disability benefits before extended short-term benefits can begin
- Extension of the short-term benefit for as many as 365 days beyond the short-term period, provided:
 - the disability continues to be temporary and
 - will likely end during the extended period and
 - is approved by the Medical Board

Extended Short-Term

- First day of extended short-term disability is the day following the last day of short-term disability
- No waiting period
- May be approved for a period of time up to 365 days
- If approved for less, may request an extension from the Medical Board

Extended Short-Term Paperwork

- **Form 704** – *Requesting Additional Benefits Through the Disability Income Plan of North Carolina* – completed by employee and employer
- **Form 700**
- **Form 701**
- **Form 7A** – **current (within six months)**
- **Form 703** – copy of original/first
- **Form 711** – *Employer's Calculation Report and Payment Record*
check or deposit number, date of check, and gross amount of check
– completed by employer – copy of original
- **Job Description** - another copy supplied by the employer
- **Form 714** – suggested to be sent now to grant STD service credit and reimbursement

Must be submitted in one complete package

Exhaustion of Leave

- In lieu of extended short-term, a member may elect to exhaust any employer approved leave
- An election to exhaust leave will not extend the 365 days of extended short-term
- An election to receive any form of leave for any part of a day is in lieu of an extended short-term benefit payable for that day
- Leave should be used in full day increments, whenever possible
- An election to receive a lump sum payout for leave is treated as if the leave had been exhausted day-by-day and is in lieu of any extended short-term benefit for that day

Extended Short-Term Payments

- 50% of 1/12th of annual salary
(at time short-term payments begin)
 - Including local supplements and longevity
 - Excluding overtime, bonuses, and shift differential
 - Eligible for Disability Income Plan cost-of-living adjustments
- Subject to a maximum benefit of \$3,000.00/month

Extended Short-Term Offsets

- **Monthly Total Temporary Workers' Compensation (WC) payments (66 2/3 %)** for the same or related disability by any employer
 - Member must provide a copy of the Form 21 or Form 60 from the Industrial Commission
- **Veterans Administration (VA) payments** for the same or related disability
 - Member must provide copy of Veterans Administration awards letter
- **Excess Earnings**
 - Member must provide RSD with copy of check stub detailing earnings

Earnings

- Gross earnings, up to the amount of the extended short-term benefit, are permitted
- If earnings exceed the amount of the extended short-term benefit, the benefit will be reduced on a dollar-for-dollar basis
- Earnable allowance may be requested from the Retirement System

Calculation of Earnings

Adjusted monthly salary (active)	\$2,200.00
Extended short-term payment (50%)	\$1,100.00
Monthly earnable allowance	\$1,100.00

Excess earnings must be reported to the Retirement System by the 5th of the following month

Trial Rehabilitation (Return-to-Work)

- Return to work in the same capacity (same job, same duties, same hours)
- May return to service for periods not to exceed 40 continuous workdays (approximately 8 weeks)
- Weekends & holidays do not interrupt the 40 consecutive workdays
- Trial rehabilitation will not extend the extended short-term period
- May have more than one trial rehabilitation period
- Will contribute to the Retirement System and receive contributory service credits

Scenario 1

Jeffery Smith was approved for extended short-term disability on September 1. His employer allows him to return to work on Monday, December 4th. He returns in the same capacity and works 8 hours on December 4th. He continues to work 8 hours per day, Monday through Friday, until January 15th. On January 15th, Jeffery is unable to come to work. He does not have any leave to exhaust.

Is Jeffrey eligible to continue with extended short-term benefits?

On January 30th, Jeffery returns to full-time employment.

How should the employer treat this day of return to work?

Explanation of Scenario 1

- For each day that Jeffrey works in the same capacity at a full schedule, his employer should report his salary and contributions to the Retirement System
- As a result, Jeffrey will earn contributory service for December and January
- The Retirement System will pay extended short-term benefits for the day(s) in which Jeffrey did not work or exhaust leave
- If he exceeded 40 consecutive days, then he would start the disability application process again

Refund of Contributions

- May receive a refund of retirement contributions if any of the following applies:
 - The short-term or extended short-term period has ceased and member has not returned to work
 - Member is no longer disabled as determined by Medical Board
 - Benefits are suspended
- Must complete “Application for Refund” (Form 5)
- Must sign a waiver letter forfeiting all future benefits before the refund is paid

Retirement

- May apply for retirement as soon as eligibility is attained
- Does not have to receive extended short-term benefits for the full 365 days
- If applying while in receipt of extended short-term benefits, must request the benefit to be stopped
- Must complete Application for Retirement (form 6)
- Service will include contributing membership, unused sick leave, purchases, non-contributory service (including DIPNC), etc.
- Waiver is also required

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

Long-Term

- 5 contract years of contributing membership service earned within the 96 calendar months prior to the date of disability or the conclusion of salary continuation (continuous exhaustion of leave), whichever is later
- Service transferred prior to the date of disability will assist the member in qualifying for long-term
- Must apply within 180 days after the conclusion of short-term, extended short-term, salary continuation payments, or monthly payments for Workers' Compensation, whichever is later

Long-Term

- Must be certified by the Medical Board to be mentally or physically disabled for the further performance of their usual occupation (same disability as short-term and/or extended short-term)
- Should apply 90 days before the end of the short-term or extended short-term

Long-Term

- The disability must have been continuous, likely to be permanent, and incurred at the time of active employment
- Must terminate employment as a permanent full-time teacher or State employee before payment of benefits can begin
- Must not be eligible to receive an unreduced retirement benefit from TSERS [same requirements apply to Optional Retirement Plan (ORP) members]

Long-Term Paperwork

- **Form 704**
- **Form 700**
- **Form 701**
- **Form 7A – current (within six months)**
- **Form 703 - first** – copy of original
(only if employer made STD determination)
- **Form 711**– copy of original
- **Form 714** – good idea to submit with LTD application
- **Job Description**

Must be submitted in one complete package

Trial Rehabilitation

- Members may now participate in periods of trial rehabilitation (July 2002)
- Trial rehabilitation is initiated if a member returns to service **in any capacity with any TSERS employer**
- The member's long-term benefits will be suspended

Trial Rehabilitation

- Beginning August 1, 2007, salary during trial rehabilitation must be equal to or greater than the salary on which the long-term benefit is based
- If the member is unable to continue the period of trial rehabilitation due to the same or new disability, they may be entitled to restore their long-term disability benefit

Trial Rehabilitation

- If trial rehabilitation is less than 36 months:
 - Must be approved by the Medical Board
 - If approved, then long-term benefit is reinstated

Trial Rehabilitation

- If trial rehabilitation is greater than 36 months:
 - Any subsequent disability is treated as a new condition
 - Will require a new waiting period and short-term disability period

Long-Term Benefit Amount

- 65% of the member's adjusted salary payable until the member is eligible for an unreduced retirement benefit (provided member remains disabled)
- Maximum payment \$3,900.00/month
- Minimum payment \$10.00/month

Social Security Offsets

- Must sign agreement letter to apply for Social Security upon approval of long-term disability benefits
- Required to provide Social Security information to the Retirement System

Social Security Offsets

Approved for Social Security

- An overpayment usually occurs as a result of the retroactive Social Security payment
- The Retirement Systems Division (RSD) will notify the member of the overpayment amount
- Payment arrangements will be included
- Alternate payment arrangement requests are subject to approval by RSD

Social Security Offsets

- The Social Security offset will be adjusted any time there is an increase granted by the Social Security Administration
- Social Security increases are normally granted in December

Social Security Offsets

Not approved or failed to apply for Social Security

- After the first 36 months of the long-term period, the benefit will be offset by a “hypothetical” Social Security amount
- This is an estimated amount that the member would have been entitled to had they been awarded Social Security benefits
- If the member reaches age 62 during the first 36 months of long-term, the benefit will be offset by the “age 62” amount

Social Security Offsets

- Member has less than 5 years of membership service as of July 31, 2007, but who meets the requirements for LTD on or after August 1, 2007
- After 36 months of LTD benefits, there will be no further payments from DIPNC unless the member has been approved and is in receipt of primary social security disability benefits

Exhaustion of Leave

- In lieu of long-term disability benefits, the member may elect to continue to exhaust any employer approved leave
- The effective date of long-term will not be adjusted for the exhaustion of leave
- An election to receive salary continuation for any part of a day is in lieu of any long-term benefit payable for that day
- A lump sum payment for leave is treated as if the member had exhausted the leave and is in lieu of any long-term benefit

Earnings

- Members in receipt of long-term disability are allowed to have earnings
- Members should contact the Retirement System for their earnable allowance
- Gross earnings from any source must be counted against their earnable allowance
- If the member exceeds the earnable allowance, then the benefit is reduced on a dollar-for-dollar basis

Calculation of Earnings

Adjusted monthly salary (active)	\$2,200.00
Long-term benefit payment (65%)	<u>- \$1,430.00</u>
Monthly earnable allowance	\$770.00

Excess earnings must be reported by the 5th of the following month

If the member is in receipt of Social Security benefits, then the earnable allowance will be adjusted accordingly

Conversion to Service Retirement

- Must attain age and/or service requirements for an unreduced service retirement
- Convert to service retirement based upon creditable service and highest four consecutive years of salary
- No longer subject to offsets for Social Security, Workers' Compensation, or Veterans benefits
- RSD will provide member with necessary forms for service retirement
 - Including estimate with options

Conversion to Service Retirement

- ORP members will remain on long-term until they would have qualified for an unreduced service retirement had they not elected to participate in ORP
- ORP members should contact their former employer for information regarding retirement

Re-Examinations

- The Medical Board periodically reviews member's files to ensure that they are still disabled
- May occur once per year for the first five years
- Thereafter may occur once every three years
- The Retirement System will notify the member at least 60 days prior to the re-examination
- Updated/current medical information will be required

RSD will not pay for any re-examination costs or fees⁵⁰

Extended Short-Term and Long-Term 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
- Payments are exempt from FICA
- Leave exhaustion is always subject to FICA
- Contributions are not withheld for retirement

Disability Income Plan Health Insurance

- Health insurance is paid if the member has at least five years of contributing membership service as of the date short-term payments begin
- If the member has less than five years of contributing membership, they may continue health insurance at their cost

Service transferred prior to the date of disability may help the member qualify for health insurance during the Disability Income Plan

Disability Income Plan Health Insurance

- If the extended short-term or long-term period begins between the 1st and the 14th of the month, medical coverage begins the first of the following month
 - For example, if the long-term benefit period begins March 12, then the health insurance will become effective April 1

Disability Income Plan Health Insurance

- If the extended short-term or long-term period begins between the 15th and the 31st of the month, medical coverage becomes effective the first of the month following the first full month of benefits
 - For example, if the long-term benefit period begins March 23, then the health insurance will become effective May 1

Scenario 2

Summer Anderson has 7 years of contributing membership service with TSERS. She was approved for extended short-term disability effective February 13, 2007.

Is Summer eligible for health insurance coverage under DIPNC?

If so, what will be the effective date of her health insurance under DIPNC?

Scenario 3

Susan Bailey has 4 years of contributing membership service in TSERS and 3 years of Local Governmental Employees' Retirement System service transferred to her account prior to her disability. She was approved for extended short-term disability effective February 22, 2007.

Is Susan eligible for health insurance under the Disability Plan of North Carolina?

What will her effective date of health coverage under DIPNC be?

When she converts to a service retirement, will the Retirement System continue to pay her health insurance?

Disability Income Plan Death Benefit

- If in receipt of DIPNC benefits, the Death Benefit will remain in force
- Equal to the highest 12 months salary during the 24 months preceding the death
 - Minimum/\$25,000.00
 - Maximum/\$50,000.00

Optional Retirement Plan Death Benefit

ORP members who are in receipt of benefits from DIPNC are not covered under the Death Benefit

Disability Income Plan

Survivor's Alternate Benefit

If approved for DIPNC benefits, a member's beneficiary may be eligible for the Survivor's Alternate Benefit if the following conditions are met:

- General employee
 - 20 years service regardless of age, or
 - 5 years contributing membership service at age 60

- Law enforcement officer
 - 20 years service regardless of age
 - Age 50 and 15 years service as a law enforcement officer

Disability Income Plan Survivor's Alternate Benefit

- One principal beneficiary for the Return of Contributions (Form 2 or 2c)
- Beneficiary must be living at the time of the member's death

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

$$\begin{array}{r} \$35,000.00 \text{ (AFC)} \\ \times \quad \underline{.0182} \\ \$637.00 \end{array}$$

$$\begin{array}{r} \$637.00 \\ \times \quad \underline{45.5000 \text{ (service)}} \\ \$28,983.50 \end{array}$$

$$\begin{array}{l} \$28,983.50 / 12 = \mathbf{\$2,415.29} \\ \text{(maximum monthly benefit)} \end{array}$$

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)
- 1st unreduced (30 years) - Dec 1, 2011
- 10.4167 years of service added
- AFC - \$35,000

Benefit Calculation

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

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

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

(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 76

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

- 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**

Contact Us

Retirees

Local: 733-4191

Toll Free: (877) 733-4191

Active

Local: 807-3050

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

Website: www.myncretirement.com

E-Mail: nc.retirement@nctreasurer.com

Fax: (919) 508-5350