



# Teachers' Retirement System of the State of Kentucky

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## TRS 1, TRS 2 and TRS 3 Disability Retirement

This disability retirement informational bulletin is to assist members in TRS 1, TRS 2 or TRS 3 who are considering seeking disability benefits. (TRS 4 members should refer to materials published separately regarding disability retirement provisions for them.) Failure to comply with the rules of disability retirement can result in disability retirement being delayed, suspended or terminated.

### Eligibility

Disability retirement is available for TRS 1, TRS 2 and TRS 3 members who are applying within one year of their last full-time contributing Kentucky service and have completed at least five years of service. Substitute and part-time members with at least five years of Kentucky service may be eligible for disability retirement if they meet the qualifications set by the TRS Board of Trustees.

For TRS 1, TRS 2 and TRS 3 members with less than five years of Kentucky service, disability retirement is available only if they are physically or mentally incapacitated as a result of an injury related directly to their covered employment.

Members with 27 or more years of service credit only are eligible for service retirement. Also, members who entered TRS on or after July 1, 2021, and who qualify for an unreduced benefit only are eligible for service retirement.

### Retirement Application

A disability retirement application may not be submitted while working. It may be submitted, provided the requirements in the prior paragraphs are met, while on leave of absence or while using extended sick days.

The deadline for submitting a disability retirement application is the first of the month the retirement is to be effective. All TRS retirements occur on the first of the month.

Copies of your official government-certified birth certificate, signed Social Security card and marriage certificate are required. If naming a primary beneficiary on your retirement account copies of your beneficiary's birth certificate and signed Social Security card are requested.

For reciprocity in Kentucky Public Pensions Authority or Judicial Form Retirement System, a separate disability application must be filed with the appropriate system(s) by that system's (or systems') required deadline(s). The retirement date must be the same for all systems. Contact the reciprocal agency for applications and filing information.

### Physician Examinations

As part of the disability retirement application, your physician must file a report with TRS to be reviewed by the Medical Review Committee. In many cases, the committee gives more weight to a report from a specialist. If approved for disability retirement, you will be required to undergo periodic examinations to determine if this disability continues to exist. If the Medical Review Committee determines the disability no longer exists, the allowance will be discontinued.

### Benefit Payment

Initially, the annual benefit for disability retirement is 60% of your average high five salaries during what is called the entitlement period, which is up to five years. (This amount is prorated if you have reciprocity.) After the entitlement period, the benefit payment is recalculated based on a formula more like a traditional service retirement.

### Entitlement Period

The entitlement period is for up to five years, and the member receives service credit for those years. If applicable, the allowed entitlement period is reduced in order to ensure the member does not exceed 27 years of service credit. (Example: If a member has 24 years of service credit when going on disability retirement, the member can earn three years of disability entitlement service credit giving the member a total of 27 years of service at the time of recalculation of their disability benefit.)

TRS Account Types Based on entry date
<b>TRS 1</b>
Entry before July 1, 2002
<b>TRS 2</b>
Entry on or between July 1, 2002, and June 30, 2008
<b>TRS 3</b>
Entry on or between July 1, 2008, and Dec. 31, 2021
<b>TRS 4</b>
Entry on or after Jan. 1, 2022

### **Recalculation**

At the end of the entitlement period, a disability benefit is recalculated using the service retirement formula. Recalculation is not a conversion to service retirement, and disability retirees who have had their benefit recalculated still must undergo periodic medical examinations and remain subject to employment limitations. Under recalculation, service credit earned during the disability entitlement period is added to the years of service that you earned when you went on disability retirement. The combined service credit is used to determine the recalculated benefit using the average of your highest five earned salaries. At recalculation, you must select a retirement annuity option. Some of those options would allow you to provide benefits to survivors after your death.

### **Employment Limitations**

A disability retiree may not be employed anywhere in any position or capacity that requires the same duties or qualifications as a TRS-covered position. (Disability retirees with less than five years of active service have additional restrictions.) Further, no person who is receiving disability benefits may be employed in a position that qualifies them for membership in a retirement system financed wholly or in part with public funds. You are required to notify TRS of any employment while on disability retirement. These restrictions apply to both paid and unpaid employment and volunteering. The TRS Board of Trustees sets a limit on how much a disability retiree can earn when employed without causing the loss of TRS benefits. Check with TRS for the current limit as this amount can be adjusted annually. If the limit is exceeded when TRS benefits and outside earned income are added together, the retiree will be required to repay all TRS benefits over the income limit. If you are employed while on disability retirement, a complete copy of your federal income tax return must be provided, including all W-2s that accompanied the return. (In other words, if you file jointly, you must include a copy of the other person's W-2s to prove that all income is not solely yours.)

### **Voluntary Removal**

A disability retiree may voluntarily terminate disability retirement at any point. However, applying for service retirement without a return to a TRS-covered position results in the loss of any service credit from the entitlement period, including it not being used in the calculation of the service retirement benefit.

### **Job Status for Teachers and Superintendents**

Teachers and superintendents do not need to resign to go on disability retirement. A teacher or superintendent on disability retains continuing status during a disability application. If you are a teacher or superintendent and recover from disability and present a supporting statement from a licensed physician and written notification to the school system within 24 calendar months (but not later than April 15 prior to the beginning of the next school term), the system will reinstate you to active continuing status at the beginning of the next school term. If you do not present written notice of recovery to the school system within the 24 months, or if you resign prior to the end of the 24-month period, the continuing contract shall terminate.

### **TRS Retiree Health Insurance**

Eligibility for health insurance through TRS is determined by entry date and years of service. TRS 3 (and TRS 4) members must have at least 15 years of service credit to be eligible for TRS retiree health insurance. Disability retirees who are not eligible for health insurance through TRS are responsible for obtaining any health insurance coverage.

If eligible and taking TRS retiree health insurance, coverage cannot be retroactive.

### **Taxes**

Annuity payments, including from disability retirement, are subject to federal taxes and possibly state taxes, including if residing in Kentucky. Annuity payments to Kentucky residents are partially or completely exempt from state tax depending on when the work that earned the annuity occurred. TRS does not withhold tax for other taxing jurisdictions.

### **Life Insurance**

You are covered by a life insurance benefit the first day you start work in a TRS-contributing position subject to the rules of your position at the time of your death. Coverage continues if you remain a contributing member or receive a service or disability retirement allowance. The life insurance benefit is paid to your spouse or other designated beneficiary, a funeral home or your estate. To designate a life insurance beneficiary, the proper TRS form must be completed and returned. Beneficiaries may be changed at any time. This benefit is in addition to any other benefits.