

Nonoccupational Disability Benefits

Are you suffering from an illness or injury that prevents you from working?

If you have a debilitating illness or injury that prevents you from performing your job duties, you may be eligible for a nonoccupational disability retirement benefit. Nonoccupational disability benefits are paid to vested PERS members who become totally and permanently disabled because of a physical or mental condition that is unrelated to their employment. Disability benefits provide a means of economic survival if you must terminate your PERS employment because of a disability. Disability benefits provide you a monthly benefit payment and major medical insurance and are not intended to supplement your income should you recover from your disability and return to work.

How do you qualify for nonoccupational disability benefits?

To qualify, you must be vested. This means you must have at least five years of paid-up PERS membership service. You must also be totally and permanently disabled and unable to perform the usual duties of your job, or the duties of another job an employer makes available for which you are qualified by training and experience.

Do you have to terminate employment before applying for disability benefits?

No, you do not need to terminate employment before applying for a disability benefit. However, if you are approved for benefits, you must terminate employment within 30 days of the Administrator's decision. Caution: You may choose to receive a refund of your total member contributions in a lump sum, rather than apply for a disability retirement benefit. However, if you refund your contributions instead of applying for a disability retirement, you are no longer eligible for that benefit or any future PERS retirement benefit or associated system-paid medical insurance benefits.

How do you apply?

Contact the Division and request a disability packet. Your application must be received by the Division or postmarked within 90 days after termination of employment. If you have missed the 90-day deadline, contact the Division for assistance. Usually, it takes approximately six to eight weeks to process your application. It can take longer if you do not provide all of the required information to support your application. It is your responsibility to provide complete information to the Division so a determination can be made.

Who determines if you qualify for disability benefits?

You must provide physician statements and complete medical records along with an employer's statement of disability to the Division. A consulting physician reviews your file and makes a recommendation to the PERS Administrator who makes a final recommendation. You will be notified of the final outcome. If you are denied disability benefits, you may appeal to the Department of Administration's Office of Administrative Hearings.

When do disability benefits begin?

Once your disability application is approved, you will begin receiving monthly benefits. Benefits accrue from the first day of the month following termination of employment and are paid at the end of the month. If your appointment to disability is delayed to allow time for the PERS Administrator to obtain and review records, retroactive payments will be made.

What is the monthly benefit amount?

Your benefit will be calculated on your average monthly compensation and PERS service at the time you terminated employment because of disability. The benefit is calculated the same as a normal retirement benefit. If you have an unpaid indebtedness for any of your PERS service at the time you are appointed to nonoccupational disability, that service will not be included in your disability benefit calculation unless you pay the indebtedness in full. If you do not pay the indebtedness at the time you are appointed, but elect to pay it later, your nonoccupational disability benefit will be recalculated to include the additional paid-up service. Your benefit will be increased on the first of the month following the date your indebtedness is paid. The benefit increase will not be paid retroactively.

Are nonoccupational disability benefits taxable?

Your monthly disability benefits are taxable by the federal government upon receipt. If you move to another state, your benefit may also be subject to that state's income tax. In addition, since the standard for eligibility for PERS nonoccupational disability benefits is different than the federal definition of disability (according to Internal Revenue Code Section 72(m)(7)), we are required to code your benefit as an early distribution of retirement funds. As such, you may be subject to a 10% early distribution penalty for amounts received from the PERS. If you feel that you meet the federal definition of disability, you can file IRS form #5329 for an exception to the early distribution penalty. You may elect to have no federal tax withheld from your benefit by completing a W4-P withholding form available from the Division; however, you are still responsible for any taxes due to the federal government. The Division does not give tax advice and you may wish to consult a tax professional for more information.

Is there any medical coverage for nonoccupational disability benefits?

You, your spouse, and your dependent children are eligible for major medical coverage at no cost to you while you are receiving disability benefits. Dependent children up to age 19 are covered and may be included up to age 23 if enrolled full-time in an accredited college or university. The medical coverage will continue once your disability benefits convert to a normal retirement. There are also optional insurance coverages for dental-vision-audio (DVA) and long-term care (LTC) insurance which you may elect and pay premiums for. You must elect LTC within 60 days of your appointment to disability benefits or you will not have the opportunity to elect LTC at any future time, including when your disability benefit converts to normal retirement. (Your spouse could elect LTC for self and spouse when the spouse retires from PERS or TRS).

What are the vocational rehabilitation requirements?

Based on your initial hire date under the PERS system, you may be required to enroll in a vocational rehabilitation program after you are approved for disability benefits. If you were first hired in the PERS after June 30, 1986, you will be required to enroll in a rehabilitation program with the Division of Vocational Rehabilitation (DVR) within 30 days of being appointed to a disability retirement benefit.

Can your disability retirement benefits be terminated?

Yes, if you are required to report to the Division of Vocational Rehabilitation (DVR) and you fail to do so, your disability benefits can be terminated. The Division requires proof of your enrollment in a DVR program. If you fail to enroll, fail to interview for a job, or fail to accept a position offered, or if you are certified by DVR as failing to cooperate in a rehabilitation program, your disability retirement benefit may be terminated. Your disability benefit may also be terminated if you return to work. See further information in this brochure on returning to work.

Are there periodic proof of eligibility requirements?

Members first hired under the PERS after June 30, 1976 must provide proof of disability under the Social Security Act on an annual basis. If you are not eligible for Social Security, each year you must provide medical proof that Social Security disability payments would have been payable had you been eligible to apply. Members first hired before July 1, 1976, are not required to show proof of eligibility under the Social Security Act, however, you must undergo a medical examination when required by the Administrator (not more than once a year). You may also be asked to provide other documentation such as tax returns or physician statements as proof of continued eligibility.

What are the death benefits?

If you die while you are receiving nonoccupational disability benefits and you are married, your spouse may have options for continuing benefits. If you are not married, benefits will be paid to your named beneficiaries on file with the Division. You may update your beneficiaries by completing new beneficiary forms available on the Division website. For further information on death benefits, please contact the Division.

How long will you receive a disability benefit?

Members do not accrue PERS service while receiving nonoccupational disability benefits. When you become eligible for normal retirement, disability benefits will cease and you will be appointed to normal retirement. Your monthly retirement benefit will be based on your total PERS service and average monthly compensation you earned while employed. For Tier I members, age 55 determines normal retirement eligibility; and for Tier II and III members, it is age 60.

What happens if you become reemployed?

Disability benefits are not intended to supplement your income if you recover from your disability and return to work. Proof of such recovery may include medical evidence or proof of capability to work in a comparable position for an employer, including self-employment. If you become reemployed, you may no longer be eligible to continue receiving disability benefits. If you return to work any time while receiving nonoccupational disability benefits, you must notify the Disability Unit in the Division. If you become employed in a part-time position, your continuing eligibility for nonoccupational disability benefits will be reviewed. If you become employed in a full-time position, you are considered “recovered from disability,” and you are no longer eligible to receive nonoccupational disability benefits from PERS.

What Tier Am I?

Members who first entered a PERS position and were making contributions:

- **Tier I** – Before 7/1/86.
- **Tier II** – On or after 7/1/86, but before 7/1/96.
- **Tier III** – On or after 7/1/96, but before 7/1/06.

The information included here only applies to Tiers I, II, and III.

Alaska Division of Retirement and Benefits

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Member Education Center

Hours: Monday-Thursday 8:30 a.m. to 4 p.m. | Friday 8:30 a.m. to 3 p.m.

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