



NC Total Retirement Plans Employer Short Term and Extended Short Term Disability Training

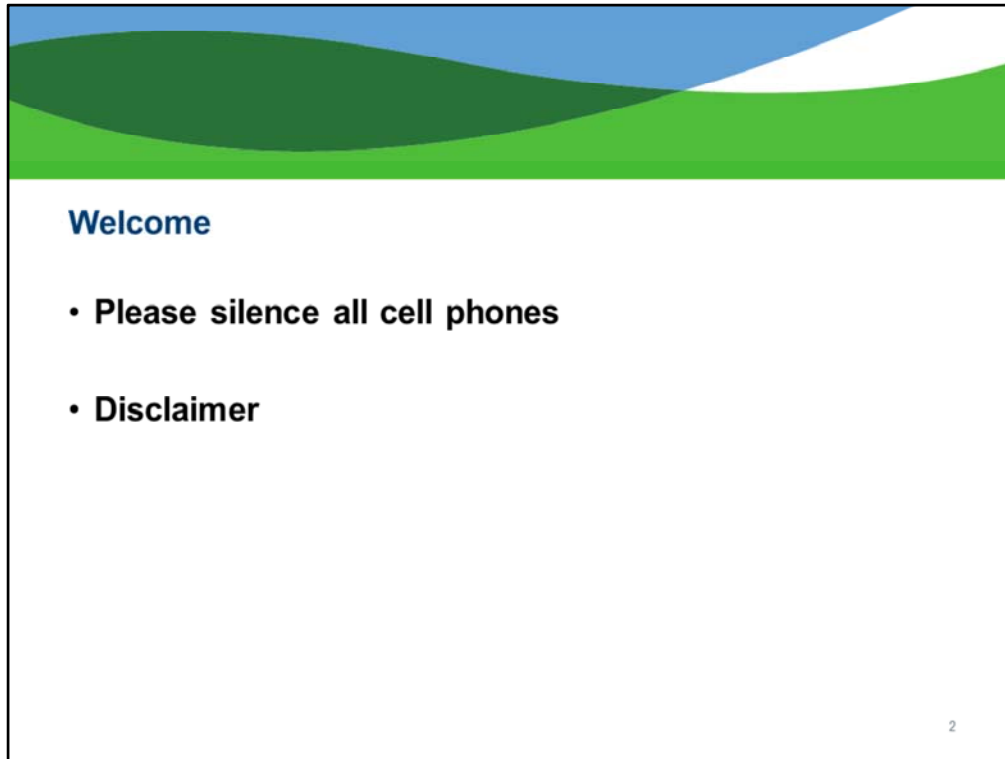


North Carolina
Total Retirement Plans



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

August 2018



Please silence all cell phones.

This presentation is based on current legislation and is subject to change without notice. This material is to be used for training purposes only. Please contact the North Carolina Retirement Systems Division for guidance or assistance.



Topics

- Review – membership service
- Eligibility - DIPNC
- Short-Term Disability
- Preliminary Long-Term Disability
- Extended Short-Term Disability
- Questions/Comments




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, but did not pay for and which 6% was not withheld from their check
 - Examples include short-term, extended short-term disability, and long-term disability

- **Creditable Service**
 - Sum of all service credits added together (includes unused sick leave)




Disability Benefits Available to TSERS Members

- **Disability Income Plan of North Carolina (DIPNC)**
 - Short-Term (paid by employer)
 - Preliminary Long-Term (paid by employer)
 - Extended Short-Term (paid by RSD)
 - Long-Term (paid by RSD)

- **State Disability Retirement**
 - Projection to age 65
 - Projection to first unreduced retirement

5

The onset of disability, in addition to the above, is based, in part, upon certification from the member's physician of the date the member became disabled for the further performance of his/her usual job.



Eligibility Requirements for Short-term, Extended Short-term & Preliminary Long-term

- One contract year of TSERS or ORP 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- For short-term disability, determination may be made by the employer or Medical Board.
- Disability must have been incurred at the time of active employment, exhausting leave, or Temporary Total Workers' Compensation
- Disability must have been continuous
- Application for short-term disability must be completed no later than one year after the end of the waiting period

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

6

Reciprocity is not applicable to the Disability Income Plan. The member does not have to resign his position to apply for Short-Term benefits. The member is eligible to apply and receive short-term benefits even if he is already eligible for a reduced or unreduced retirement benefit provided he meets the eligibility requirements. G.S. §135-105 was amended effective 6/25/2018. The provision limits the time period for application for DIPNC short term disability to no longer than 365 days following the last day of the waiting period. The member must provide medical documentation to prove disability on or prior to the last day worked or exhausted leave.



Reminders:


- If the date of disability is prior to the completion of the contract year, the member is not eligible for short-term disability.
- **Exception:** Salary continuation will count toward the one year of contributing membership service. This leave must be continuous (used daily, not sporadically).

Consider the following examples...



Each of these members were 12-month employees hired on 8/22/2017 and worked through 6/13/2018. Also, each person was certified as disabled by their physician as of 6/13/2018.

- **Susan Smith** did not have any leave to exhaust. As a result, she was not eligible for short-term disability because she did not have one year of membership service.
- **Elena Vega** exhausted leave from 6/13/2018 through 7/2/2018. She qualified for short-term disability since she used leave continuously until she reached one year of membership service.
- **Janet Jones** exhausted leave on 6/18, 6/25, and 7/2 of 2018. She did not qualify for short-term disability since she did not exhaust leave on a day-to-day basis (to reach one year of membership service).



Short-Term Waiting Period

- A member is not entitled to receive any benefits from the Plan for a period of **60 consecutive** calendar days from the date of disability.
- The **60-day waiting period** begins the later 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.
- During the waiting period, a member may be paid continuation of compensation by exhausting accumulated sick leave, vacation leave, bonus leave, comp time, and/or shared leave provided by the employer.

9

The onset of disability, in addition to the above, is based, in part, upon certification from the member's physician of the date the member became disabled for the further performance of his/her usual job.



The 365 Day Rule

- The “365 Day Rule” is when a member has one year of contributing service at the time of disability, but has not been employed for 365 days.
- The 60-day waiting period cannot begin until the member has been employed for 365 days.




The 365 Day Rule - Betty Smith

- Member began employment August 26, 2017
- Member is a 12-month employee
- Member worked August 26, 2017 through July 3, 2018
- Physician certified that the disability occurred on July 3, 2018
- Member has one year of contributing service to make her eligible for short-term benefits
- Under the “**365 Day Rule**” this member's date of disability will be August 26, 2018
- The 60-day waiting period begins August 26, 2018



The 365 Day Rule - Suzie Smith

- Member began employment August 5, 2017
- Member is a 10-month employee (Aug – May)
- Member worked August 5, 2017 through May 9, 2018
- Physician certified that the disability occurred on May 9, 2018
- Member has one year of contributing service to make her eligible for short-term benefits
- Under the “**365 Day Rule**” this member's date of disability will be August 5, 2018
- The 60-day waiting period begins August 5, 2018



Trial Rehabilitation 60-Day Waiting Period

- Trial rehabilitation during the waiting period is defined as a return to service in **any capacity** within the 60-day waiting period. (6% retirement withheld from pay).
- During the waiting period, a member may return to service for trial rehabilitation for periods of **not more** than 5 consecutive work days.
- A weekend or holiday does **not** interrupt the 5 consecutive days of trial rehabilitation.
- A return to service for **any portion** of a day will be counted as a full day and will be considered part of the member's 5 consecutive days.
- A return to service of **not more** than 5 consecutive days will not cause a new waiting period to begin, but will extend the waiting period by the number of days of the return to service.

If the member works more than 5 consecutive days, the waiting period starts again. (G.S. §135-104b)

13

Any portion of a day worked is counted as a day. The exhaustion of sick leave, annual leave, shared leave; payments of salary continuation, or worker's compensation payments will not extend the waiting period.




Establishing First Day of the Waiting Period

- Last day member worked
- Last day member exhausted leave
- Date physician certified member became disabled
- Number of days of trial rehabilitation, if applicable
- Apply the 365 day rule, if applicable



Establishing the First Day of Waiting Period

- Member works beyond the date physician certified disability (*Jack Smith*)
- Member's disability is certified by physician after last day member worked (*Judy Smith*)
- Member performs trial rehabilitation during the waiting period - beginning date of the short-term benefit changes (*Linda Smith*)
- Disability occurs during a month not included in member's contract year (*Tom Smith*)



Jack Smith - Member works beyond the date physician certified disability

The established date of disability cannot be prior to the last day the member worked.

- Date of Hire: May 10, 2014
- 12-month contract employee with no break in service
- Establish the last day worked:
October 13, 2017 (Form 700)
- Date physician certified disability:
September 12, 2017 (Form 703)
- Trial rehabilitation: none (Form 700)
- First day of waiting period: October 14, 2017

16

The onset of disability, in addition to the above, is based, in part, upon certification from the member's physician of the date the member became disabled for the further performance of his/her usual job.



Establishing the Waiting Period

October 2017						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

18 days (14-31)

November 2017						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

30 days

December 2017						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

12 days (1-12)


Waiting Period 10/14 – 12/12



Jack Smith

The waiting period cannot begin prior to the last day the member worked.

- 60-day waiting period:
October 14, 2017 – December 12, 2017
- First day of short-term disability:
December 13, 2017
- Short-term period:
December 13, 2017 - December 12, 2018



Judy Smith - Member's disability is certified by physician after last day member worked

If the physician certifies the disability after the last day worked, the date of disability will be the date certified by the physician. The date of disability cannot be before the date the physician certifies the disability.

- Date of Hire: July 1, 1994
- 12-month contract employee with no break in service
- Establish the last day worked:
December 4, 2017 (Form 700)
- Last day exhausted leave:
February 3, 2018 (Form 700)
- Date physician certified disability:
January 31, 2018 (Form 703)
- Trial rehabilitation: none (Form 700)
- First day of waiting period: January 31, 2018

19

The onset of disability, in addition to the above, is based, in part, upon certification from the member's physician of the date the member became disabled for the further performance of his/her usual job.



Establishing the Waiting Period

January 2018						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

1 day

February 2018						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

28 days

March 2018						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
						31

31 days

Waiting Period 1/31 – 3/31



Judy Smith

If the physician certifies the disability after the last day worked, the date of disability will be the date certified by the physician. The date of disability cannot be before the date the physician certifies the disability.

- 60-day waiting period:
January 31, 2018 – March 31, 2018
- First day of short-term disability:
April 1, 2018
- Short-term period:
April 1, 2018 – March 31, 2019



Linda Smith

In this example the waiting period has been extended by 4 days due to trial rehabilitation. This will change the beginning date of the short-term period.

- Date of Hire: March 1, 2004
- 12-month contract employee with no break in service
- Establish the last day worked:
January 2, 2018 (Form 700)
- Last day exhausted leave:
February 14, 2018 (Form 700)
- Date physician certified disability:
January 6, 2018 (Form 703)
- Trial rehabilitation: January 21-24 (4 days) (Form 700)
- First day of waiting period: January 6, 2018



Establishing the Waiting Period

January 2018						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

26 days

February 2018						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

28 days

March 2018						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

6 days + 4 days

Waiting period begins January 6
 Trial Rehab 4 days March 10



Linda Smith

- 60-day waiting period:
January 6, 2018 – March 6, 2018

Member had 4 days trial rehab during the 60-day waiting period, the waiting period will be extended by 4 days.

- This will make the ending date of the waiting period
March 10, 2018
- Short-term period:
March 11, 2018 – March 10, 2019



Tom Smith

Members on 9, 10, or 11-month contracts, who do not work the summer months, are eligible for short-term benefits even if the disability occurs during the summer.

- Date of Hire: August 1, 2004
- 10-month contract employee (August to May) with no break in service
- Establish the last day worked:
May 28, 2018 (Form 700) – last day of school
- Date physician certified disability:
June 10, 2018 (Form 703)
- First day of waiting period: June 10, 2018



Establishing the Waiting Period

June 2018						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

21 days

July 2018						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

31 days

August 2018						
Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

8 days

First day of waiting period June 10, 2018



Tom Smith

Members on 9, 10, or 11-month contracts, who do not work the summer months, are eligible for short-term benefits even if the disability occurs during the summer.

- 60-day waiting period:
June 10, 2018 – August 8, 2018
- Short-term period:
August 9, 2018 – August 8, 2019

Important: *The member must work or exhaust leave through the last day of their contract and must show intent to return to work the next school year.*



Duration of Short-Term

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

***Important:** The Death Benefit is payable while the member is in receipt of a short-term disability benefit.*



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.



Eligibility Requirements for Health Plan Coverage

- If a member has 5 or more years of “**contributing**” membership service **as of the date short-term disability payments begin**, the premium for the member’s health plan coverage is paid by the employer.*
- If a member has less than 5 years of “**contributing**” membership service **as of the date of short-term disability payments begin**, they may choose to continue the health plan coverage by paying the premium.
- The premium may be deducted from the short-term benefit.

*Premiums are required for employees enrolled in the 80/20 plan and **effective 1/1/2017 premium for the 70/30 plan (if applicable).**



Change in Health Insurance coverage for Disability Recipients

- SHP will not be providing retroactive coverage for anyone approved for disability payments. Once the payment is approved by RSD the coverage will be effective, the first of the following month if there is a gap between coverage

REMINDER: If the employee's Short Term Disability benefits end before Extended Short Term Disability benefits have been approved, there may be a gap in their Health Insurance coverage and they may need to elect COBRA to avoid a gap in coverage

31




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** - *Medical Report for Eligibility Review of Short-Term Disability Benefits* – 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
 - The member should provide 703 monthly for earnings
 - The member or the doctor's office should submit supporting medical documentation along with the 703.
- Employer may request a **7A** (*Medical Report*) from the member




Determination Made by Medical Board

Either the member or the employer may request a determination of disability by the Medical Board by submitting a **701** (*Requesting Short-Term Benefits Through the Disability Income Plan of North Carolina*) and other applicable forms.

34

Two Types of disability - Those that are temporary and those that are permanent in nature. Form 700 is request for Medical Board preview for Short-term or Preliminary Long-term. If disability appears permanent, we suggest that the employer request a Preliminary Long-term determination. If approved, this is “a blanket” approval to pay short-term benefits for 1 year. Otherwise, member must submit Form 703 to employer monthly.



Determination Made by Medical Board

- **Form 701** – *Requesting Short-Term Benefits Through the Disability Income Plan of North Carolina* – completed by employee
- **Form 700** – *Employer Information Required for Member Disability Benefits* – completed by the employer, info should match payroll reported through ORBIT
- **Form 703** – *Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review* – completed by the physician and employee – **first/ original**
- **Supporting medical documentation, supplied by the member or the doctor's office**
- **Form 7A** - *Medical Report for Disability Review* - completed by the physician and employee – **current (within six months)**
- **Job Description** – supplied by the employer

35

Likely to end during the extended period (not to exceed 365 days)



Medical Board Determinations

- Approved – approval letter mailed to member
- Rejected

Copies of all determination letters are mailed to the employer



Rejected

- Letter is mailed to member advising of the rejection
- Member has 90 days to submit the additional information
- When 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 rejection letter, the application will be cancelled
- Member would have to start over again and establish new dates



Options for Voluntarily Ceasing Short-Term

Retirement

- Member must terminate employment
- Member complete a Form 6, *Claiming Your Monthly Retirement Benefit*
- Employer will pay full month of short-term

Refund

- Member must terminate employment
- Member complete a Form 5
- Employer pays short-term through date member signs the Form 5

Return to service

- Member is reinstated to full-time active service and begins contributing to the Retirement System
- Employer pays short-term up to date member returns to active service

If applying for retirement the member must sign a waiver letter waiving all rights to future disability benefits from the Disability Income Plan of North Carolina. This letter is mailed to the member directly from the Retirement System once the Form 6 is received in our office. Waivers are no longer required if the member is applying for a refund.



Preliminary Long-Term


- Application for preliminary long-term should be made to the Medical Board anytime the physician indicates in the supporting medical documentation that the disability is likely to be permanent, or last the full **365** days of short-term.
- If approved, the member will not have to submit the **Physician Certification**, 703, each month in order to receive payment.
- Approval for preliminary long-term does not exempt the member from having to complete the **Employee Certification** for earnings on the 703 each month.



Preliminary Long-Term

- Preliminary long-term **does not** automatically qualify a member for long-term disability.
- Preliminary long-term simply means that the Medical Board views this disability as likely to last the full 365 days of the short-term period.

*The member should make application to the Medical Board for long-term or extended short-term disability **90** days prior to the conclusion of short-term disability.*




Preliminary Long-Term

- **Form 701** - *Requesting Short-Term Benefits Through the Disability Income Plan of North Carolina* – completed by the employee
- **Form 700** – *Employer Information Required for Member Disability Benefits* – completed by the employer
- **Form 703** – *Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review* – completed by employee and physician – **first/original**
- **Form 7A** - *Medical Report for Disability Eligibility Review* - completed by the physician and employee – **current (within six months)**
- **Supporting medical documentation**
- **Job Description** – supplied by employer

41

Likely to end during the extended period (not to exceed 365 days)




Short-Term Benefit Payment

- 50% of 1/12th of Annual Salary
(at time short-term payments begin)
 - Including local supplements and longevity
 - Excluding overtime and bonuses
 - Maximum benefit of **\$3,000 per month**
- To determine the daily rate of pay, the benefit is **ALWAYS** calculated using the actual days of the month. The daily rate is used to calculate the pay for a partial month.
- Cost of Living Adjustment (COLA) for DIPNC is same as the increase granted for state employees.
- Complete a **711** (*Employer's Calculation Report and Payment Record*) in order to calculate the monthly and daily rate for the member.

42

In-range salary adjustments are not allowed to be calculated unless the increase or adjustment occurred prior to the waiting period or date of disability



Definition of Base Rate of Compensation

Regular monthly rate of compensation, not including pay for shift premiums, overtime, or extraordinary pay, earned for service as an employee or teacher for full-time work.

In order to establish the salary calculation used on the 711, an employer should review the following:

- Monthly amount of pay on the employer payroll
- Supplements granted by the employer, if applicable
- Amount of service and appropriate longevity percentage, if applicable

43



Determining and Recording Short-Term Disability Benefits

Please print or type in black ink.

Section A. Employer, please provide member's information.


FIRST NAME	MI	LAST NAME	MEMBER ID
------------	----	-----------	-----------

Section B. Employer, calculate the amount of the member's short-term benefit.

	Initial Short-Term Disability Calculations
1. Annual base rate of compensation as of the last day the full-time employee worked or exhausted leave, in his/her usual occupation. <small>If the employee worked two part-time jobs to reach the membership qualification of 30 hours per week, use an annual estimate.</small>	1.
2. Local supplement, if applicable. <small>Give the dollar amount above the base rate; this amount is not greater than the annual base rate. (See Form 700, Section D, number 7)</small>	2.
3. Subtotal: Add #1 to #2	3.
4. Annual Longevity amount and percentage, if applicable. <small>(See Form 700, Section D, number 8)</small>	4.
4a. If there is no local supplement or if the longevity does not apply to any applicable local supplement, multiply % of longevity times the amount in #1 above; or	4a.
4b. If longevity does apply to any applicable local supplement, multiply % of longevity times the amount in #3 above.	4b.
5. Total adjusted annual compensation: Add #3 to #4a or #4b, whichever is applicable.	5.
6. Monthly rate of compensation: Divide #5 by 12 (months).	6.
7. Gross monthly short-term benefit: Multiply #6 by 50%, not to exceed \$3,000. <small>If greater than \$3,000, enter \$3,000 as the amount.</small>	7.
7a. Calculating the first month of short-term disability (STD) pay (if it is a partial month only): Divide #7 by the number by the total number of calendar days in the first month of STD, then multiply by the number of days the member should receive STD in the first month of STD and pay this amount.	7a.
7b. Calculating the last month of STD pay (if the last month is a partial month only): Subtract #7a from #7 and pay this amount. <small>Note: Do not use this calculation if the member was not paid STD benefits during all applicable days in the first month of STD (e.g., if the member was exhausting leave). Instead, divide #7 by the number of calendar days in the last month of STD, then multiply by the number of days the member should receive STD in the last month of STD and pay this amount.</small>	7b.
7c. All STD months between the first partial month and last partial month (i.e., after the first partial month and before the last partial month) are paid the monthly amount calculated in #7 regardless of how many days are in a given month (unless the monthly STD amount is reduced due to returning to work under Trial Rehabilitation or an earnable allowance offset). <small>See Guide A for more information.</small>	7c.

Presentation title and date

44



Calculating the COLA
 (Across-the-board percentage increase granted by General Assembly)
 John S. Smith

- Short-term: March 21, 2017 – March 20, 2018
- When a **percentage increase** is granted by the General Assembly, the **salary and supplement will be increased** by the percentage granted.
- Longevity will be based on the adjusted salary.

Salary (after 2.0% COLA)	\$26,520.00
Supplement (after 2.0% COLA)	N/A
Longevity (1.5%)	\$ 397.80
Adjusted Annual Salary	\$26,917.80
Monthly Salary	\$2,243.15
Gross Monthly Short-term Benefit	\$1,121.58
Daily Rate	\$36.18

45

Employer does not have to recalculate everything. The new benefit may be calculated by increasing the short term payment by the COLA amount.



Calculating the COLA

(Across-the-board flat-rate increase granted by General Assembly)

John S. Smith

- Short-term: March 21, 2017 – March 20, 2018
- When a **flat rate increase** is granted by the General Assembly, the salary will be increased by the flat rate amount. **The supplement will not be affected.**
- Longevity will be based on the adjusted salary.


Salary (after \$1,000 flat-rate increase)	\$27,000.00
Supplement (will not increase)	\$508.00
Longevity (1.5%)	\$ 405.00
Adjusted Annual Salary	\$27,913.00
Monthly Salary	\$2,326.08
Gross Monthly Short-term Benefit	\$1,163.04
Daily Rate	\$37.52

46



Taxation of Short-Term Payments

- 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 short-term benefit, no matter what amount, is exempt from North Carolina State income tax



Deduction of Social Security (FICA)

- If the member last worked on January 16 and exhausted leave through August, the first month following the last day on the job is still February. Six full months from the last day worked beginning in February is July. **(February through July would be six FULL months)**
- The member is exhausting leave through August, the FICA tax exemption would begin in September.
- Leave paid in lieu of the short-term disability payment **IS NOT FICA** tax-exempt.

48

The Internal Revenue Code states “sick pay” (short-term benefits are considered sick pay) is subject to FICA taxes, if paid during the six month period beginning the calendar month after the calendar month the employee last worked. Thus, the first 4 months of short-term payments will likely be subject to FICA taxes, taking into account the 60-day waiting period. If short-term benefits are paid after this 6 month period, even if paid retroactively, they are not subject to FICA taxes.



Short-Term Offsets

Benefits are reduced by:

- Monthly Temporary Total or Temporary Partial Workers' Compensation (WC) payments (66 2/3 %) by any employer
 - *Member must provide a copy of the Form 21 or Form 60*
- Veterans Administration (VA) disability payments, provided that payments are being made for the same or related disability
 - *Member must provide copy of Veterans Administration awards letter*
- Excess Earnings
 - *Member must provide employer with Form 703 detailing earnings*

Reference: G.S. §135-105(c)



Payments in Lieu of Short-Term Disability

- In lieu of short-term disability benefits, the member may elect to continue to exhaust any accumulated sick leave, vacation leave, or bonus leave provided by the employer.
- A member can use shared leave provided by the employer if the member has not received any STD payments.
- An election to exhaust leave will not extend the 365 days of the short-term benefit period.
- A member may elect to use leave on a day-to-day basis in lieu of a short-term benefit. The employer should deduct retirement contributions from the pay for leave used in this manner and the member is eligible for service credit provided that leave is being exhausted day-to-day and not sporadically.
- Members may use leave to supplement of their Workers' Comp benefits to receive 100% of their salary. Leave pay in this case is not reportable since the member is not eligible for service credit.
- An election to receive a lump sum payout for vacation or bonus leave is treated as if the leave had been exhausted and is in lieu of any short-term benefit payable.



Workers' Compensation

- The Retirement System **strongly recommends** that all members who meet eligibility requirements for short-term make application (701, 703, 700, 7A, and supporting medical documentation) for short-term disability as soon as possible (even if they are currently in receipt of Workers' Compensation benefits).
- These forms are required so the employer can establish the dates of the short-term period, compensation, and if necessary adjust the member's service.
- A member does not receive non-contributory service credit for the short-term period when in receipt of Workers' Compensation.

(Member may apply to purchase Workers' Compensation if they return to service or if they are approved for long-term disability)



Workers' Compensation

- In order to grant non-contributory credits for short-term disability, a member **MUST** be in receipt of a short-term benefit.
- A member is eligible for the death benefit when in receipt of Workers' Compensation benefits throughout the entire short-term period even if the member did not apply for short-term disability (effective 1/9/2017).
- The short-term disability benefit is offset by the Temporary Total Workers' Compensation benefit of 66 2/3% until a clincher agreement has been signed and approved.

***EXCEPTION** – The short-term benefit will not be offset for a permanent partial Workers' Compensation benefit*



Veterans Administration (VA) Benefit

- The short-term payment is offset by the VA benefit provided that the benefit is for the same disability.
- The member must provide a copy of the VA awards letter.
- If the VA benefit is granted for more than one disability, the Disability Income Plan of North Carolina states that the employer should only offset for the same disability that the member is receiving short-term payments.



Earnable Allowance During Short-Term Period

- Members **are** allowed to have earnings during the short-term period.
- Earnings from **any source** are counted against their **monthly** earnable allowance.
- Earnings, up to the amount of the gross short-term **monthly** benefit as established on the Form 711, are permitted during short-term without causing a reduction in the benefit amount.
- If earnings exceed the amount of the **monthly** earnable allowance, the short-term benefit will be reduced on a dollar-for-dollar basis.
- The **monthly** earnable cannot exceed \$3,000. [G.S. § 135-105(c)]



Monthly Earnable Allowance - John S. Smith

Monthly compensation upon which benefit is based (711)	\$2,243.15
Less gross short-term monthly benefit (711)	<u>-\$1,121.58</u>
Monthly earnable allowance	\$1,121.57

- Member should report any earnings on 703, *Reporting Earnings for Short-term Disability Benefits and Medical Report for Eligibility Review*
- Employer should deduct excess earnings from the subsequent month's short-term benefit payment



August

Earnings	\$1,900.00
Earnable Allowance	-\$1,121.57
Overage	\$778.43

Original Short-term Benefit	\$1,121.58
Overage	-\$778.43
Adjusted Short-term Benefit	\$343.15

September

Earnings	\$2,500.00
Earnable Allowance	-\$1,121.57
Overage	\$1,378.43


Original Short-term Benefit	\$1,121.58
Overage	-\$1,378.43
Adjusted Short-term Benefit	\$0

October

Earnings	\$1,125.00
Earnable Allowance	-\$1,121.57
Overage	\$3.43

Original Short-term Benefit	\$1,121.58
Overage	-\$3.43
Adjusted Short-term Benefit	\$1,118.15

56



Short-Term Period Trial Rehabilitation (40 continuous days or less)

Trial rehabilitation during the short-term period is defined as a return to service in the **same capacity** that existed prior to the disability, e.g., corrections officer returns as a corrections officer

- Member cannot be paid short-term disability during trial rehabilitation
- During trial rehabilitation, a member must return to a position of full-time contributing membership (same capacity) - 6% retirement contribution withheld
- If the member returns to service for trial rehabilitation for 40 consecutive working days or less, the current short-term period will continue
- Any trial rehabilitation of **40** consecutive workdays or less will not extend the short-term disability period

57

During the Short-term period, a return to service for “trial rehabilitation” would be considered a return in the exact same capacity that existed prior to the disability (the same position, doing the same tasks, for the same number of hours, in the same office). Anything other than this would fall under the earnings restrictions, rather than trial rehabilitation.

40 consecutive days = 40 consecutive working days



Short-Term Period Trial Rehabilitation (More than 40 continuous days)

- If the member returns to service for trial rehabilitation, for more than **40** consecutive working days, they must complete the application process again, and meet all eligibility requirements for short-term disability, including the waiting period.
- A weekend or holiday does **not** interrupt the **40** consecutive workdays of trial rehabilitation.



Short-Term Period (Earnable Allowance/Trial Rehabilitation Summary)

- Any period of employment with a **reduced schedule and/or duty restrictions** will be subject to the monthly earnable allowance and not count as trial rehabilitation. The member will still be eligible for short-term benefits if under earning restrictions. 6% is not withheld.
- Periods of trial rehabilitation should be reviewed on a **daily basis**. Trial rehabilitation should be a **daily test** to determine if the time qualifies for trial rehabilitation or is subject to the monthly earnable allowance due to schedule/duty restrictions.

Reference: G.S. §135-105(e)



Reimbursement

- Due to a law change that amends G.S. §135-105, the Retirement Systems Division will no longer provide reimbursement for the second six months of short-term disability benefits that begin on or after July 1, 2019.
- For short term periods that began before July 1, 2019, employers may request reimbursement of short-term disability payments paid during the second six months of short-term disability
- Employer cannot request reimbursement until all short-term payments have been made to the member
- Employer cannot be reimbursed beyond the date physician signed the final 703 unless the member has been approved for preliminary long-term, extended short-term, or long-term disability by the Medical Board
- Due to a law change that amends G.S. §135-105, the Retirement Systems Division will no longer provide reimbursement for the second six months of short-term disability benefits that begin on or after July 1, 2019.



Reimbursement

- Member will not receive non-contributory service credits until proper forms are received by Retirement System (714, 711, 703, 701, 700, job description)
- “When requesting Reimbursement, the Employer should provide RSD with **all** of the member’s Form 703”
- If short-term disability payments do not extend into the second six-month period, no reimbursement will be made to employer; however, the employer still needs to submit forms for reimbursement for non-contributory service credits to be granted
- Employer **must** request non-contributory service credits for any period that short-term was paid



Requesting Reimbursement and Service Credit for the Short-Term Period



Please print or type in black ink.

Section A. Employer, please provide member information.

FIRST NAME	MI	LAST NAME	SSN (Last 4 digits)
POSITION TITLE	DATE OF BIRTH	MEMBER ID	

Section B. Employer, please provide information to request the granting of service credit.

What period (mm-dd-yyyy) was the member eligible for and receiving short-term benefits? BEGIN DATE _____

(Do not include any period the member was exhausting accumulated leave.) END DATE _____

Section C. Employer, please provide information to request reimbursement.

Only benefit payments made during the second six months of the short-term benefit period will be reimbursed by the Disability Income Plan of North Carolina.

- 1 Please provide the amount you expect to be reimbursed for the second six month period of short-term benefit payments that were issued to the member listed above in Section A. _____ 1
- 2 Please provide the amount you expect to be reimbursed for the second six month period of State Health Plan premiums paid on behalf of the member listed above in Section A. _____ 2
- 3 What State Health Plan coverage was the member receiving? Please check one: PPO 70/30 Plan (Basic) PPO 80/20 Plan (Standard) PPO 90/10 Plan (Plus) 3

Section D. Employer, please certify the information you have provided.

I hereby certify that the information provided about the employee named in Section A is true and correct to the best of my knowledge, and if any of this information changes, I will notify the Retirement Systems Division with a revised Form 714.

Employer Contact Signature _____ Date _____

EMPLOYER CONTACT FIRST NAME	LAST NAME	EMPLOYER CONTACT JOB TITLE
AGENCY NAME	TELEPHONE NO.	
MAILING ADDRESS	FAX NO.	
CITY	STATE	ZIP CODE
E-MAIL ADDRESS		

Section E. Submit this form as well as required accompanying forms by mail or fax.

This form is one part of an application for granting service credit and reimbursement. If all forms are not submitted together, it may cause a delay in processing. All forms are available online at www.myncretirement.com.

Presentation title

A complete application package should include the following:

- Form 700 (Required Employer Information)

NOT SUBMITTING ALL FORMS TOGETHER MAY CAUSE A DELAY

62



Required Forms

- **Form 714** – *Employer's Reimbursement and Service Credit Report for the Short-term Benefit Period* - completed by employer
- **Form 711** – *Employer's Calculation Report and Payment Record* – completed by employer
- **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 (first & final)* – completed by employee and physician
- **Form 700** – *Employer Information Required for Member Disability Benefits* – completed by the employer
- **Job Description** – supplied by the employer



Reimbursement Process

- Establish Short-Term Dates
- Establish Dates of First and Second Six-Month Periods
- Establish Reimbursement Dates
- Establish Reimbursement Amount



Establish Short-Term Dates – John S. Smith

- Member last worked: January 16, 2017
- Physician certified date: January 21, 2017
- Member last exhausted leave: March 4, 2017
- Date of disability: January 21, 2017
- 60 day waiting period: January 21, 2017 – March 21, 2017
- Short-term dates: March 22, 2017- March 21, 2018



First Six-Month Period

1. March 22 – April 21, 2017
2. April 22 – May 21, 2017
3. May 22 – June 21, 2017
4. June 22 – July 21, 2017
5. July 22- August 21, 2017
6. August 22 – September 21, 2017



Second Six-Month Period (Eligible for Reimbursement)

1. September 22 – October 21, 2017
2. October 22 – November 21, 2017
3. November 22 – December 21, 2017
4. December 22 – January 21, 2017
5. January 22- February 21, 2017
6. February 22 – March 21, 2017 (6th)



John S. Smith

Establish Dates of First and Second Six-Month Periods

- First six-month period: March 22, 2017 through September 21, 2017
- Second six-month period: September 22, 2017 through March 21, 2017

Establish Reimbursement Dates

- Second six-month period only: September 22, 2017 through March 21, 2017



John S. Smith

Establish Reimbursement Amount

- First day of second six-month period (9/22/17)
- There are 21 days in September 2017 that are not eligible to be reimbursed. These days are part of the first six-month period.
- Multiply the 21 days not reimbursed by the daily rate:
\$36.18 (711) x 21 = \$759.78
- Subtract the amount not owed to the employer from a full benefit:

$$\begin{array}{r} \$1,121.58 \\ - \quad 759.78 \\ \hline \$361.80 \end{array}$$



John S. Smith

Establish Reimbursement Amount (continued)

- First month (September) of the second six-month period = \$361.80
- Full months of the second six-month period October through February ($\$1,121.58 \times 5 = \$5,607.90$)
- Partial month of the reimbursement 21 days in March 2017 due the employer ($21 \times \$36.18 = \759.78)
- **Total Reimbursement Due (Listed on 714)**
($\$361.80 + \$5,607.90 + \$759.78 = \$6,729.48$)



Health Plan Coverage Reimbursement (Disability lasts 365 days)

- Employer may request reimbursement of the health plan premiums paid during the second six months of the short-term period.
- It is not necessary to prorate any portion of the health plan premiums during the second six months.
- Reimbursement will be for six full months of premium cost provided the short-term disability continues for 365 days.



Health Plan Coverage Reimbursement (Disability lasts 365 days)

Exception

Seven months of premiums may be reimbursed if member:

- dies during the last month of the short-term period
- retires the 1st of the month following the short-term period



Health Plan Coverage Reimbursement (Disability lasts less than 365 days)

- If the second six months of short-term begins between the **1st and 14th** of a calendar month, we will calculate the reimbursement for premiums paid that month (e.g., second six months begins March 14, we will reimburse the April premium which was paid in March).
- If the second six months of short-term begins between the **15th and 31st** of a calendar month, we will calculate the reimbursement for premium paid the following month (e.g., second six months begins March 16, we will reimburse the May premium which was paid in April).



Health Plan Coverage Reimbursement (Disability lasts less than 365 days)

Member returns to work on 1/24/2017 (health plan premium paid 1 month in advance)

Short-term dates: March 22, 2017 - March 21, 2018

- First six-month period: March 22, 2017 through September 21, 2017
- Second six-month period: September 22, 2017 through March 21, 2018
- Reimbursement will be made to the employer to cover the time period from September 22, 2017 – January 24, 2018
- The reimbursement will be for premium paid October - January



Health Plan Coverage Reimbursement (Disability lasts less than 365 days)

- Second six months began September 22, 2017.
- The first eligible premium for reimbursement is November (paid in October)

- Member returns to work January 24, 2018
- The last eligible premium for reimbursement is February (paid in January).

Coverage Paid	Coverage Month
October	November
November	December
December	January
January	February

75



Health Plan Coverage Reimbursement (Disability lasts less than 365 days)

Member returns to work on 1/10/2018 (*health plan premium paid 1 month in advance*)

Short-term dates: March 22, 2017 - March 21, 2018

- First six-month period: March 22, 2017 through September 21, 2017
- Second six-month period: September 22, 2017 through March 21, 2018
- Reimbursement will be made to the employer to cover the time period from September 22, 2017 – January 10, 2018
- The reimbursement will be for premium paid October - December



Health Plan Coverage Reimbursement (Disability lasts less than 365 days)

- Second six months began September 22, 2017.
- The first eligible premium for reimbursement is November (paid in October)

- Member returns to work January 10, 2018
- The last eligible premium for reimbursement is January (paid in December).

Coverage Paid	Coverage Month
October	November
November	December
December	January



Underpayment

- If the underpayment to the member **is less than \$200**, the Retirement System will only reimburse the employer the amount paid, not the amount due.
- The Retirement System will not reimburse an employer if the underpayment to the member **is greater than \$200**.
- The employer must pay the member the amount due and then provide proof of payment to the Retirement System, e.g., copy of the check or a revised **711**.



Overpayment

- The Retirement System will only reimburse to the employer the amount due, not the amount actually paid to the member.
- The employer will be responsible for requesting the overpayment from the member.



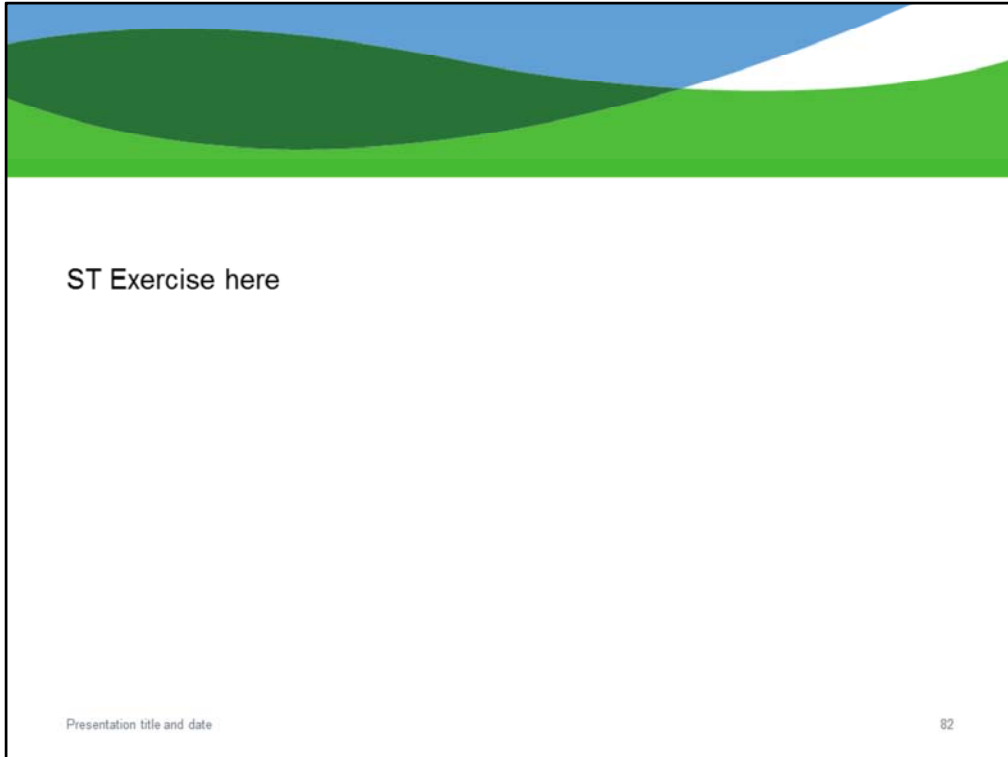
Underpayment/Overpayment

- The Retirement System will calculate both the first and the second six-month periods of short-term to make sure that the employee has been paid correctly.
- Underpayments and overpayments in either/both of the six-month periods are combined to establish the amount of the underpayment/overpayment. The employer will be advised in writing of any necessary adjustments.



North Carolina
Total Retirement Plans

BREAK



ST Exercise here

Presentation title and date


82



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

84

Likely to end during the extended period (not to exceed 365 days)




Extended Short-Term Disability

- **Form 704** – *Requesting Additional Benefits through the Disability Income Plan of North Carolina* – completed by the employee
- **Form 7A** – *Medical Report for Disability Eligibility Review* - completed by the physician and employee – current evaluation (within past six months)
- **Supporting medical documentation** within the past six months
- **Include copies of all Short-Term Disability Forms** if these have not been previously submitted to the Retirement System – 700, 701, 703, 711, 714, job description



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/month

87

In-range salary adjustments are not allowed to be calculated unless the increase or adjustment occurred prior to the waiting period or date of disability



Extended Short-Term Offsets

- **Monthly Total Temporary Workers' Compensation (WC) payments (66 2/3 %)** by any employer
 - Member must provide a copy of the Form 21 or Form 60

- **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 Form 707 detailing earnings

Reference: G.S. §135-105(c)

88



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
Extended short-term payment (50%)	\$1,100
Monthly earnable allowance	\$1,100

Excess earnings must be reported yearly on the Statement of Income (SOI)



Trial Rehabilitation

- 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

91

Likely to end during the extended period (not to exceed 365 days)



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 4. He returns in the same capacity and works 8 hours on December 4. He continues to work 8 hours per day, Monday through Friday, until January 15. On January 15, 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?**
Yes
- On January 30th, Jeffery returns to full-time employment. How should the employer treat this day of return to work?
Treat as regular pay (it is retirement eligible)



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. The employer should call the Division immediately to advise of the members return to work so that we do not overpay the member.
- As a result, Jeffery will earn contributory service for December and January.
- The Retirement System will pay extended short-term benefits for the day(s) in which Jeffery 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**)



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
 - Member's doctor determines his/her condition is permanent (should apply for long term disability if he/she has at least 5 years of service).




Active Employee Online Resource www.MyNCRetirement.com

- Download and view Benefit handbooks
- Review frequently asked questions
- Retirement Benefit Highlights
- Return to Work Policies
- News and Legislative Updates




Employer Online Resource www.MyNCRetirement.com

- Upcoming Events
- Reduction-in-Force Information for employers
- ORBIT Employer Reporting Information
- Welcome Packets
- Disability Benefits Processing and Training
- Discontinued Service Retirement
- Legislative Statutes and Updates
- News
- Guidance Publications including **TSERS Employer Manual**



ORBIT



Employers

- Access to active employee database
- Review employee service
- Review employee salary history and retirement contributions
- Review documents in individual files
- Forms
- Must contact Retirement Systems Division for access and/or changes at oyer@nctreasurer.com

99



How to Contact the Retirement Systems

Phone: Toll Free 1-877-NCSECURE (627-3287)
Fraud and Abuse Hotline 1-855-903-7283

Internet: www.MyNCRetirement.com

E-Mail: nc.retirement@nctreasurer.com
OER@nctreasurer.com (Employer ORBIT
Payroll Reporting)

 Find us on:
facebook <https://www.facebook.com/MyNCRetirement>

100



Our Location

Department of State Treasurer
Retirement Systems Division
3200 Atlantic Avenue
Raleigh, NC 27604

**Phone number for all callers:
877-NCSECURE (877-627-3287)**

101

Please note that in an effort to serve our members better, the North Carolina Retirement Systems and Department of State Treasurer are moving to a new location this summer. The new address is 3200 Atlantic Avenue, Raleigh, NC. If you have scheduled an appointment to meet with a Retirement Systems Division counselor, please call ahead to 877-NCSECURE (877-627-3287) to confirm the time, location and directions to your appointment.



North Carolina
Total Retirement Plans

Thank you for attending disability training