

1977 Fund Disability at a Glance

Indiana Public Employees' Retirement Fund

Disability Benefit Provisions

Since Jan. 1, 1990, there has been both an "old" and "new" disability plan in the 1977 Fund. Those members initially hired before Jan. 1, 1990, are included in the old plan ("Pre-1990 Plan") unless they elected to be covered by the new disability plan adopted in 1990. Those hired after Dec. 31, 1989, and those hired on or before that date who elected coverage under the new plan (the "1990 Plan") are covered under the new disability plan.

Base Salary

Benefits paid by the 1977 Fund are calculated according to a base salary amount. The base salary is the salary of a first-class police officer or firefighter plus all longevity increases (if provided by the employer) when applied to years of service less than 20 years. Upon retirement, benefits are based on the base salary effective for your department in the year your service ends.

Disability Application Process for Pre-1990 Plan

(hired prior to Jan. 1, 1990)

If you are in the Pre-1990 Disability Plan, the following process governs your application for disability benefits:

1. Upon your request, your local board will conduct a hearing to determine whether you have a covered impairment and whether that covered impairment was incurred in the line of duty.
2. PERF reviews the local board's finding. If the local board and PERF determine that you have a covered impairment, you are entitled to receive a disability benefit equal to the benefit you would have received if you had retired at age 52.
3. The 1977 Fund Advisory Committee reviews the local board's determination as to whether the covered impairment was incurred in the line of duty. If your covered impairment was incurred in the line of duty, you may be entitled to a tax-free benefit.
4. If eligible, you receive disability benefits equal to your full normal retirement benefit at age 52 for your lifetime, if found to have incurred a disability in the line of duty, or until age 52 if your disability was not incurred in the line of duty.

The time spent receiving disability benefits is considered active service until you have 20 years of service. During this period, you may be subject to an annual medical review. If you are found to be no longer disabled, and suitable and available work is offered to you by your department, your disability benefit will cease regardless of whether you accept the offer of employment. Recovered members will not be treated as new applicants, and will not be subject to the 1977 Fund application process required for new 1977 Fund members.

Disability Application Process for 1990 Disability Plan

(For those members hired after Dec. 31, 1989, or those electing coverage under the 1990 Plan)

Steps to Apply for 1990 Disability Plan Benefits

1. Request a hearing from your local board.
2. Local pension board conducts hearing to determine whether there is a covered impairment.
3. Local board then determines the class of your impairment.
4. PERF and its medical authority will review the local board's finding to determine eligibility class and degree of disability.
5. If eligible, you will receive disability benefits based on your class of impairment. Your class of impairment determines your base monthly benefit and the degree of your impairment determines your additional monthly benefit.

Post-1990 Disability Benefit

Monthly Benefit (Class 1, 2 and 3)

After the local board classifies your impairment, PERF will review the classification and its medical authority will determine the degree of impairment. Depending upon the degree of impairment, you are entitled to receive an additional monthly amount that is no less than 10 percent and no greater than 45 percent of the base salary.

Class 1 Impairment

A Class 1 impairment is the direct result of one or more of the following:

1. A personal injury that occurs while you are on duty;
2. A personal injury that occurs while you are off duty but while responding to an offense or a reported offense in the case of a police officer or an emergency or a reported emergency for which you are trained, in the case of a firefighter; or
3. An occupational disease (a disease arising out of and in the course of the employment).

If you have a Class 1 impairment, you will receive a monthly base benefit equal to 45 percent of the base salary, plus an additional amount based on your degree of impairment.

Class 2 Impairment

A Class 2 impairment is known as a duty-related disease, which means a disease arising out of your employment. This disease can be determined if it is apparent to the rational mind, upon consideration of all the circumstances, that:

1. There is a connection between the conditions under which your duties are performed and the disease;
2. The disease can be seen to have followed as a natural incident of your duties as a result of the exposure occasioned by the nature of your duties; or
3. The disease can be traced to your employment as the proximate cause.

If you have a Class 2 impairment, you are entitled to receive 22 percent of the base salary plus 0.5 percent of that salary for each year of service, up to a maximum of 30 years of service. You will also be paid an amount based on your degree of impairment.

Class 3 Impairment

If you have a Class 3 impairment, you will receive a monthly benefit equal to the product of your years of service, not to exceed 30 years, multiplied by 1 percent of the base salary. You will also be paid an amount based on your degree of impairment.

Excludable Medical Conditions

If a member is hired with a pre-existing excludable medical condition:

- the member will be eligible to receive a Class 3 disability benefit if the impairment is not related to the excludable medical condition and the impairment occurs after completing four years of service
- the member will not be eligible to receive a Class 3 disability benefit if the Class 3 impairment occurs before completing four years of service
- the member will not receive a Class 3 disability benefit if the Class 3 impairment is related to the excludable medical condition
- the member will receive a Class 3 disability benefit during the first four years of service if he/she has a Class 3 impairment attributable to an accidental injury not related to the member's excludable medical condition



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Benefit Period

Benefits for a Class 1 and Class 2 impairment are non-taxable and payable for life, with certain exceptions for Class 2 impairments. At age 52, members receiving a Class 1 or Class 2 disability benefit may be entitled to a taxable supplemental benefit. Benefits for a Class 3 disability are taxable and are payable:

- For a period equal to your years of service, if your total disability payment is less than 30 percent of the base salary amount when you become disabled and you have fewer than four years of service.
- Or until you become 52, if: (a) the benefit is equal to or greater than 30 percent of the base salary; or (b) if the benefit is less than 30 percent of the monthly base salary and you have at least four years of service.

If you were to return to work after recovering from a covered impairment and you become disabled within two years of your return to active duty for the same condition for which you were previously paid disability benefits, you are eligible to receive benefits equal to the amount of the disability benefit you were receiving when you returned to work, plus any intervening cost of living adjustments.

Tax Consequences

You may elect the amount of federal and state tax you want withheld from your disability benefits.

Tax rules are complex, so if you need additional information, you should obtain IRS Publication 575; or, if you need further assistance, you should contact your local IRS office or tax consultant.

Please call us toll-free at (888) 526-1687 or e-mail us at questions@perf.in.gov if you have specific questions regarding your retirement benefits.

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