

ACCIDENTAL DISABILITY RETIREMENT CALCULATIONS



Tim Larkin, Actuarial Analyst | PERAC
Kaitlyn Doucette, Sr. Actuarial Analyst | PERAC
January 17, 2014



CHAPTER 32, SECTION 7

- “Any member in service..., who is unable to perform the essential duties of his job and that such inability is likely to be permanent... by reason of a personal injury sustained or a hazard undergone as a result of, and while in the performance of, his duties... without serious and willful misconduct on his part,... shall be retired for accidental disability...”



WHAT ARE THE ELIGIBILITY REQUIREMENTS?

- Must be a member in service at the time of injury. There are no age or service requirements.
- The member must suffer injury while in performance of his or her duties.
- The member's disability must be permanent.



HOW DO YOU DETERMINE EFFECTIVE DATE OF RETIREMENT?

The date of retirement is set using the *latest* of 3 dates:

- The date the injury was sustained.
- Six months prior to the filing of the disability application with the board.
- The date in which the member last received regular compensation.




HOW TO DETERMINE REGULAR COMPENSATION FOR AN ACCIDENTAL DISABILITY

The regular compensation used for an accidental disability calculation is the greater of two amounts:

- The annual rate of regular compensation on the date of injury.

OR

- The average annual rate of regular compensation during the 12 months for which the member received regular compensation preceding the member's date of retirement.



WHAT IF THEY ARE IN A TEMPORARY OR ACTING POSITION?

The regular compensation used for an accidental disability calculation is the greater of two amounts:

- The annual rate of regular compensation for his permanent position on the date of injury.

OR

- The average annual rate of regular compensation for his permanent position during the 12 months for which the member received regular compensation preceding the member's date of retirement.




ACCIDENTAL DISABILITY RETIREMENT CALCULATION

Pension = 72% of salary

Annuity = ASF balance multiplied by annuity factor

Allowance = Pension + Annuity
(plus any applicable veteran allowance
or dependent allowances)



ACCIDENTAL DISABILITY RETIREMENT CALCULATION: 75% CAP

The Allowance is not capped if:

- Became a member prior to January 1, 1988 and has been a continuous member since that date

The Allowance **is** capped at 75% of the salary if:


- Became a member after January 1, 1988 or
- Became a member before January 1, 1988 and was not a continuous member since that date

Dependent allowances and the veteran allowance are not subject to the cap



ACCIDENTAL DISABILITY RETIREMENT CALCULATION

- **Veteran Allowance** = \$15 for each year of creditable service or fraction thereof not to exceed \$300
- **Dependent Allowance** = \$797.64 for each dependent child, this amount is effective 7/1/2013. This amount increases each fiscal year if a COLA is granted.



ACCIDENTAL DISABILITY RETIREMENT CALCULATION

- A child is considered a dependent if he is:
 - Unmarried and
 - Under age 18
 - Under age 22 and is a full-time student
 - Mentally or physically incapacitated from earning (any age)



ACCIDENTAL DISABILITY RETIREMENT CALCULATION OPTIONS

Options at retirement

- **Option A:** allowance commences at retirement and terminates at the retiree's death (no benefit for survivors)
- **Option B:** allowance commences at retirement and terminates upon the death of the retiree (if applicable, the unpaid ASF balance is paid to the beneficiary)
- **Option C:** allowance commences at retirement and upon the death of the retiree, the beneficiary receives 2/3 of the allowance and terminates upon the death of the beneficiary



WORKER'S COMPENSATION BEFORE RETIREMENT

If the member is receiving worker's compensation under total incapacity *before* retirement:

- Record the amount that would have been contributed if the member had continued to receive his full pay
- Transfer this amount to his annuity savings fund balance if it will result in an increased retirement allowance (Ch. 32 s. 14(1)(a))
 - If the member is not subject to the 75% cap
 - If the member is subject to the cap but the calculated allowance before the transfer is less than 75%




WORKER'S COMPENSATION AFTER RETIREMENT

- Accidental Disability Retirements are subject to offset (Ch. 32 s. 14(2)(a)) if receiving worker's compensation under Chapter 152 sections 31, 34, 34A, 34B, 35 and 35A.
- The pension portion of the allowance payable on a weekly basis is offset by the weekly worker's compensation benefit
- Dependent allowances are subject to offset
- Veteran allowances are not subject to offset
- Annuity is not subject to offset



ADR CALCULATION: EXAMPLE 1: OPTION A WITHOUT THE 75% CAP

- Member facts:
 - DOB: 3/1/1950
 - Age: 57 years, 10 months
 - Membership date: 1/1/1987
 - Date of retirement: 1/1/2008
 - Veteran: N
 - Total creditable service: 21 years, 0 months
 - Salary: \$50,000
 - ASF balance: \$30,000
 - Annuity factor: .00733



ADR CALCULATION: EXAMPLE 1: OPTION A WITHOUT THE 75% CAP *(Continued)*

Annuity: $\$30,000 \times .00733 = \219.90 monthly
 $\$219.90 \times 12 = \$2,638.80$ annually

Pension: $\$50,000 \times .72 = \$36,000 \div 12 = \$3,000 \times 12 = \$36,000$

Allowance: $\$2,638.80 + \$36,000.00 = \$38,638.80$

Since this member has a membership date of 1/1/1987,
he is not subject to the 75% cap.



ADR CALCULATION: EXAMPLE 2: OPTION A WITH THE 75% CAP

- Member facts:
 - DOB: 1/1/1963
 - Age: 49 years, 0 months
 - Membership date: 1/1/2003
 - Date of retirement: 1/1/2012
 - Veteran: N
 - Total creditable service: 9 years, 0 months
 - Salary: \$35,000
 - ASF balance: \$25,000
 - Annuity factor: .00654




ADR CALCULATION: EXAMPLE 2: OPTION A WITH THE 75% CAP *(Continued)*

Annuity: $\$25,000 \times .00654 = \163.50 monthly
 $\$163.50 \times 12 = \$1,962.00$ annually

Pension: $\$35,000 \times .72 = \$25,200 \div 12 = \$2,100 \times 12 = \$25,200.00$

Allowance: $\$1,962.00 + \$25,200.00 = \$27,162.00$

Since this member has a membership date of 1/1/2003,
he is subject to the 75% cap.



ADR CALCULATION: EXAMPLE 2: OPTION A WITH THE 75% CAP *(Continued)*

75% cap:

$$\$35,000 \times .75 = \$26,250.00 \div 12 = \$2,187.50 \times 12 = \$26,250.00$$

Allowance: \$26,250.00

The allowance payable is the lesser of \$27,162.00
and \$26,250.00

- Annual allowance: \$26,250.00
- Annual annuity: \$1,962.00 (as calculated on prior slide)
- Annual pension: \$24,288.00 = \$26,250.00 - \$1,962.00