

Disability Annuitant Earned Income Review

District of Columbia Teachers'
Retirement Plan



June 2018

This booklet is intended to provide you with helpful information concerning the earned income review process for the District of Columbia Teachers' Retirement Plan (the "Plan"). The major provisions of the Plan are contained in D.C. Code §38-2021.04(a). In the event of any conflicts between this booklet and the statutory Plan provisions, the terms of the Plan will govern.

Additional information can be found in DCRB's Benefits Administration Rules - Chapter 17 of Title 7 of the District of Columbia Municipal Regulations (DCMR), and the Plan's Summary Plan Description (SPD). These resources are available on the District of Columbia Retirement Board's (DCRB) website at <http://www.dcrb.dc.gov> and <https://dcregs.dc.gov>.

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Introduction

Under the District of Columbia Teachers' Retirement Plan (the "Plan"), your disability retirement benefit continues until your death unless you recover from your disability, or you are re-employed in the same capacity from which you retired or you refuse such re-employment, or you are restored to earning capacity.

To ensure your continued eligibility to receive a disability retirement benefit, you are subject to income reviews up until voluntary retirement age. The District of Columbia Retirement Board (DCRB) performs the annual income reviews. This booklet only addresses DCRB's annual income review process.

As an annuitant receiving a disability retirement benefit from the Plan, you must provide DCRB with a report of your yearly outside employment earnings as long as you remain under voluntary retirement age (age 55). Income reviews are conducted each year based on the previous calendar year. Therefore, if you are under voluntary retirement age as of December 31st, you are required to submit a yearly report of your outside employment earnings for that calendar year. After obtaining your voluntary retirement age, there is no limit on the amount of outside employment earnings you may earn.

For each year you are required to report your earnings, DCRB will send you a notice and instruct you on how to complete and return an *Annual Earned Income Report* form to DCRB. If you fail or refuse to submit the report, and any additional information that may be required, by the indicated deadline, your disability retirement benefit will stop until you submit the required information. Therefore, it is important that you become familiar with the income review process and how this process will affect you, your dependents, any Alternate Payees under a Qualified Domestic Relations Order (QDRO) or other third-party payees, as well as other retirement benefits, such as health and life insurance.

Reporting Your Earned Income

Each year, DCRB notifies disability annuitants of their responsibility to report their prior calendar year's outside employment earnings. Once you complete and return the required *Annual Earned Income Report* form and any additional required information to DCRB, a review is conducted to determine if your prior year's earnings will affect your eligibility to continue receiving disability retirement benefits.

For this purpose, "earned income" is defined in section 32(c)(2) of the Internal Revenue Code. Earned income may come from either wages or self-employment, or both. All income that is subject to Federal employment taxes or self-employment taxes is considered earned income.

Because your prior year's earned income will be reported on your Federal income tax return in the following year, the deadline to submit the *Annual Earned Income Report* will coincide with the deadline for filing your Federal income tax return. This way, as you prepare your taxes, you should remember the Plan's income review as well. If you file Federal income taxes jointly with your spouse, only your earned income is considered income under this review.

Any refusal or failure to return the *Annual Earned Income Report* form to DCRB by the deadline will be deemed willful and will result in your disability retirement benefit being stopped until we receive the required information. You will forfeit benefit payments during this period of non-compliance. Once we receive the information needed to review your prior year's income, your benefit payments will begin again from the date of your compliance.

If you submit any materially false income information in your notarized statement, rights to your disability retirement annuity will be immediately forfeited.

If You Report No Outside Employment Earnings

If you had no outside employment earnings to report your disability retirement benefit will continue to be paid without any adjustment to your benefit. You are still required to submit a notarized income statement form to DCRB.

If You Received Outside Employment Earnings in the Prior Year

If you received both disability retirement benefits and earned income in the prior calendar year, the amount of your earned income will be reviewed to determine if it will affect your continued eligibility for disability retirement benefits.

As a disability annuitant, your earnings will be reviewed to determine if you have achieved earning capacity. Please refer to the *Restoration to Earning Capacity* section below for information on how this will affect your benefit.

Restoration To Earning Capacity

In some cases, an annuitant may be restored to earning capacity. Earning capacity is achieved if you earn income from wages or self-employment, or both, in excess of the current earnings limitation in any calendar year after the year you retired. You will be considered to have achieved earning capacity if your earning for the calendar year exceed 80% of the current compensation rate for the position you occupied immediately before retirement for that calendar year.

If it is determined that you have been restored to earning capacity, your disability retirement annuity will terminate 45 days from the date that this determination is made. Additionally, you may be required to return to the Plan any annuity overpayments you received during your period of ineligibility due to restoration to earning capacity.

An annuity that has been terminated in this manner may be re-established, up until voluntary retirement, if your earning capacity falls below 80% in any following full calendar year.

In this scenario, your disability retirement annuity will be restored retroactively to January 1st of the calendar year in which your eligibility was reinstated.

If necessary, DCRB may offset your reinstated annuity by the amount of any overpayments you received during any period of ineligibility.

Apart from the annual income review, if you are under voluntary retirement age, you may also make your own written request to DCRB to have your terminated annuity restored. To do so, you will have to submit proof of your eligibility. You should contact DCRB for more information about how to make this request.

Example

Joe retired under disability at age 40. Joe became a car salesman in last year. Joe's Federal tax return reports earned income from his job of \$70,000. Joe submits this information to DCRB as part of his annual income review for this year. This year, the salary for the job he retired from is valued as \$50,000. Joe was restored to earning capacity last year because his earned income was more than 80% of \$50,000 (\$40,000).

The next year, Joe's reported earned income was \$40,000. Next year, the salary for the job Joe retired from is \$52,000. DCRB reviews Joe's income for last year and determines that Joe fell below earnings capacity for the year because his earned income was less than 80% of \$52,000 (\$41,600). Joe's annuity is in compliance with the 80% test. Joe's disability retirement benefit is reinstated retroactive to January 1st of the current year.

If your annuity was reinstated due to late compliance with the filing deadline of the Annual Earned Income Report, your annuity is reinstated only from your date of compliance (see page 5).

Due Process Rights

If your disability retirement benefit is affected by your prior year's earnings, DCRB will notify you in writing of the change in your benefit and how to request review of the decision in the event that you do not agree.

Continuation of Health Insurance Benefits

If you were eligible for retiree health care insurance coverage at your disability retirement, your health care premiums are deducted from your annuity. In the event you are no longer eligible to receive your annuity due to earning capacity restoration, you are considered no longer retired and may not be eligible to continue your retiree health care insurance coverage. Any health care insurance premiums for your health care coverage for you and any dependents can no longer be paid from your annuity.

Federal Health Insurance Benefits

If you are covered by the Federal Employees Health Benefits (FEHB) Program and your disability retirement annuity is terminated for failure to comply with the annual income review reporting requirements or due to restoration of earning capacity, you may receive continued health insurance coverage via a Temporary Continuation of Coverage (TCC) which may continue for up to 3 years. Please note that any premiums for this coverage, including both the government and the employee shares, and any administrative fee, must be paid by you.

If you are interested in the Federal TCC insurance, you will need to complete the *Federal Health Benefits Election Form (SF 2809)* and contact the DCRB Member Services Center to advise of your request. This form is available on the DCRB website. DCRB will forward your information to the appropriate office, and you will be provided with a payment booklet in order to send your premiums to the National Finance Center.

District of Columbia Health Insurance Benefits

If you are covered by the District of Columbia Employees Health Benefits (DCEHB) Program and your disability retirement annuity is terminated for failure to comply with the annual income review reporting requirements or due

to restoration of earning capacity, you may receive continued health insurance coverage via a Temporary Continuation of Coverage (TCC) which may continue for up to 3 years. Please note that any premiums required for this coverage, including both the government and the employee shares, and any administrative fee, must be paid by you.

If you are interested in the District TCC insurance, you will need to complete the *District of Columbia Temporary Continuation of Coverage Benefits Enrollment Form (DCSF 1269)* and contact the DCRB Member Services Center to advise of your request. This form is available on the DCRB website. DCRB will forward your information to the District of Columbia Department of Human Resources (DCHR) for processing. DCHR will notify your insurance carrier so payments for premiums may be arranged.

Reinstatement of Health Insurance Benefits

If your health insurance coverage was lost due to termination of your disability retirement annuity, your coverage will be reinstated when and if your disability retirement annuity payments resume. Your reinstated coverage will be with your same health care provider and coverage level in place when your annuity stopped. Changes to your health plan provider or coverage level will not be allowed unless there is a qualifying life event or health care open enrollment.

QDROs, Garnishments & Tax Levies

A termination of your disability retirement annuity may also impact payments made from your annuity to an Alternate Payee under a QDRO, to children or former spouses pursuant to court-ordered income withholding orders for child and spousal support, or the Internal Revenue Service to satisfy a federal tax levy. If you are impacted, DCRB will notify you and any third-party payee.

Re-Employment With the District of Columbia

If you are re-employed by the District of Columbia Government after you are approved for a disability retirement under the Plan and your annuity continues, your employment salary is reduced by the amount of your annuity (DPM Chapter 11B - Compensation). However, you receive no additional service credit toward your retirement benefit under the Plan for the period of your re-employment.

If you recover from your disability and are reinstated by DCPS, you are placed back into the Plan and continue to pay contributions to and earn service credit under the Plan toward retirement. You should be aware, however, that you will not receive any service credit under the Plan upon reinstatement for your period of disability retirement.

Frequently Asked Questions

Following a disability retirement, what information is required by the Plan?

Any teacher who retired under a disability from the Teachers' Retirement Plan and who is under voluntary retirement age must report their income from wages and/or self-employment to the Plan Administrator (DCRB).

Why is a notarized statement of annual earned income required?

The Teachers' Retirement Plan [DC Code §38-2021.04(a)] limits earnings of disability annuitants who are under voluntary retirement age. Earning limit applies to all disability annuitants (restoration to earning capacity), and if that limit is exceeded, the disability annuity is terminated.

The annual earnings review allows DCRB to determine when a disability annuitant has earned more than the Plan allows.

What if I do not return my notarized statement of earned income to DCRB?

If you fail to return your notarized statement to DCRB and/or any other required information, your annuity will be terminated until the notarized statement and required information is received by DCRB. Your annuity will resume the month after you submit this information, if applicable, and will be retroactive to the date DCRB received the information. **However, any payments suspended during this period of ineligibility (from the date after the deadline through the date DCRB receives the required information) are forfeited.**

When do I need to return my notarized statement of annual earned income?

The notarized statement must be received by a due date announced every year by DCRB (typically right after tax season). Therefore, if you are not required to file a Federal income tax return, you should return the notarized statement as soon as possible. If you have requested an extension to file your Federal income tax return, please send a copy of your Federal extension form to DCRB. Your disability annuity will automatically be extended until your granted extension date, and you still are **required** to complete the notarized statement.

What information do I need to send to DCRB?

1. Notarized *Annual Earned Income Report* form;
2. A copy of your 1040 Tax Form;
3. Copies of all W-2 and 1099 forms;
4. A copy of Schedule C or C-EZ if reporting personal business income or loss;
5. A copy of Schedule E if reporting partnership income;
6. A copy of Schedule F if reporting farm or ranch income;
7. Signed IRS Tax Form 4506-T; and
8. A copy of your IRS Tax Extension Form 4868 (if applicable).

Where do I return my notarized statement of annual earned income?

The notarized *Annual Earned Income Report* form should be returned via mail, email, or hand delivered to:

District of Columbia Retirement Board
Attention: Member Services Center
900 7th Street, NW, 2nd Floor
Washington, DC 20001
Email: DCRB.Benefits@dc.gov

Alternatively, you may choose to fax your notarized statement of annual income to (202) 566-5001. If you choose to fax or email this document to DCRB, you still must mail the original notarized statement of annual income to DCRB for proper recordkeeping.

For More Information

For additional information about the earned income review process, contact DCRB at the address or phone number below.

District of Columbia Retirement Board
Member Services Center
900 7th Street, NW, 2nd Floor
Washington, DC 20001
(202) 343-3272
(866) 456-3272

For general information about DCRB, you may visit our website at www.dcrb.dc.gov.



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