

**WAC 415-106-520 How are the PSERS catastrophic duty disability benefits calculated?** (1) **Catastrophic duty disability:** As a catastrophic duty disability retiree, you may choose between:

- (a) A taxable, one-time lump-sum payment; or
- (b) A monthly benefit equal to:

(i) Seventy percent of your average final compensation (AFC), which is nontaxable, reduced by any disability benefits provided under Title 51 RCW and federal Social Security disability benefits (SSDI), if necessary to ensure that the total combined benefits do not exceed 100 percent of the member's average final compensation (AFC). Any such adjustment will be applied prospectively from the time the Title 51 RCW or Social Security determination is made, even if the Title 51 RCW or Social Security disability (SSDI) benefits are retroactively adjusted.

(ii) The reduced benefit cannot be less than the earned service retirement benefit. When the earned service benefit is more than the reduced benefit, the difference is taxable (subject to any basis recovery).

**Calculation of monthly disability benefit:**

**Example 1:** Terry was approved for catastrophic duty disability. The average final compensation (AFC) was \$10,000. Terry was not receiving benefits from L&I or Social Security disability insurance (SSDI). Terry had 20 years of service credit at the time of retirement. To determine the catastrophic duty disability benefit amount:

- 1. 70% of AFC = Monthly disability benefit  
 $.70 \times \$10,000 = \$7,000$
- 2.  $2\% \times \text{AFC} \times \text{Service Years} = \text{Earned benefit}$   
 $.02 \times \$10,000 \times 20 = \$4,000$

Since there is no offset and the monthly disability benefit is greater than the earned benefit, Terry's nontaxable monthly benefit will be \$7,000.

**Example 2:** Pat was approved for catastrophic duty disability. The average final compensation (AFC) was \$10,000. Pat was receiving benefits from L&I and Social Security disability insurance (SSDI) in the amounts of \$5,000 and \$2,000. Pat had 2 years of service credit at the time of retirement. To determine the catastrophic duty disability benefit amount:

- 1. 70% of AFC = Monthly disability benefit  
 $.70 \times \$10,000 = \$7,000$
- 2. Monthly disability benefit + L&I benefits + SSDI benefit = Total of all benefits  
 $\$7,000 + \$5,000 + \$2,000 = \$14,000$
- 3. Total of all benefits - AFC = Reduction amount  
 $\$14,000 - \$10,000 = \$4,000$
- 4. Monthly disability benefit - Reduction amount = Reduced monthly benefit  
 $\$7,000 - \$4,000 = \$3,000$
- 5.  $2\% \times \text{AFC} \times \text{Service Years} = \text{Earned benefit}$   
 $.02 \times \$10,000 \times 2 = \$400$

Since the reduced monthly benefit amount is greater than the earned benefit, Pat's nontaxable monthly benefit will be \$3,000.

