

## NEGOTIATED LONG-TERM DISABILITY

*Disability insurance is underwritten by Life Insurance Company of North America (LINA).*

### Plan Description

A definable employee group, such as all bargaining unit members, may negotiate this benefit. Salary protection can be provided at either 50%, 60%, 66 2/3%, or 70% of contractual salary, and a monthly benefit is payable as long as the employee is totally disabled, up to a maximum benefit period.

A benefit waiting period, based on either calendar days or workdays, during which the employee is totally disabled, must be satisfied before benefits are payable.

<b>1. Designing and Comparing Group Negotiated Long-Term Disability Plans</b>		
<b>FEATURE</b>	<b>DEFINITION</b>	<b>NOTES</b>
Waiting Period:	There must be a work day or calendar day waiting period before benefits begin, with one of the following: 30, 60, 90, 120 or 180 days. Modified fill or straight wait.	The average accumulated leave of your employee group should be considered. A benefit waiting period must be satisfied before benefits are payable. These days should be either work days or calendar days. Modified fill means that disability benefits will begin after the expiration of the later of an employee's accumulated sick days, or the specified waiting period. In either case, these days need not be consecutive or for the same condition as long as the last three days are consecutive and for the same condition.
Benefit Level:	50%, 60%, 66 2/3% or 70% of covered salary.	The replacement salary should be at a high enough level to insure that the employee's LTD benefit approximates take home salary, but not so high as to destroy the employee's economic incentive to try to return to active work. Benefits from an Employer-paid LTD program are taxable income. During the first 6 months of disability FICA taxes (about 7.65%) are also payable to the government. However, if an employee qualifies for a disability retirement or Social Security benefits, taxes are significantly reduced.
Maximum Benefit Level:	Monthly benefit maximum available in \$500 increments up to the amount bargained.	Make certain this covers all employee salaries completely and is reviewed annually! This is a function of the covered salary; e.g., \$20,000 annual salary, with a 66 2/3% program, will yield a payout of \$1,110 per month necessitating a monthly maximum of \$1,500. We recommend bargaining a maximum that will cover the salary of the highest paid staff member in the final year of a negotiated contract. The advantage here is that the benefit keeps pace with salaries throughout the life of the labor agreement. Furthermore, there's no premium cost associated with any excess coverage provided in the early life of the contract.
"Covered" Salary:	Salary includes longevity and can also cover salary that the employee receives from a supplemental signed contract. For an ESP member, his/her hourly rate will be calculated to reflect an annual amount using the number of hours worked per day and number of weeks worked each year.	This may not be spelled out in your LTD plan, but should be in your master agreement. Salary does not include any compensation that is not referenced in your contract, such as bonuses or other part-time employment.

<b>2. Standard in all MESSA Plans</b>		
<b>FEATURE</b>	<b>DEFINITION</b>	<b>NOTES</b>
Waiver of health insurance: premium. (Applies to employees covered by a MESSA health plan.)	The cost on MESSA health insurance may be waived once the benefit waiting period under LTD is satisfied. The waiver is available for up to two years under the following circumstances: <ul style="list-style-type: none"> <li>• The employee remains disabled</li> <li>• The employee is not presently covered under the employer health plan</li> <li>• The employee is not receiving health benefits under MPSERS</li> </ul>	This important feature is generally not available in other LTD plans. Without a waiver of the health insurance premium, the disabled employee may have to pay his/her own health premium.
Minimum Monthly Benefit:	\$50 or 5% of the gross monthly benefit (whichever is greater).	After all offsets are applied.
Offset:	Benefits will be reduced by any income the employee receives or is entitled to receive from: <ul style="list-style-type: none"> <li>• The employer</li> <li>• Workers' compensation</li> <li>• Any Employer-paid group plan</li> <li>• Social Security</li> <li>• Any Social Security disability benefits received by the employee's family due to the employee's disability</li> <li>• MPSERS</li> </ul>	Offsets are benefits from other sources which are subtracted from the amount the insurance company pays. Some non-MESSA plans may offset individually held disability plans, even if the employee pays the entire premium.
Definition of "Total Disability":	An insured member covered on a disability insurance plan is considered totally disabled if wholly and continuously unable to perform any and every duty pertaining to his/her regular occupation, while under the care of a physician, up to a specified maximum period, usually two years. Total disability continues thereafter if the member is unable to engage in any occupation or perform work for compensation for which he/she is reasonably fitted by training, education or experience.	Check non-MESSA LTD plans for "own occupation" or "any & all" clauses. More restrictive "any & all" occupation clauses mean no benefit is received if a person is able to do other "reasonable" work.
Waiver of Pre-Existing Medical Condition:	Medical conditions for which the advice or treatment was received prior to effective date of coverage are not excluded. However, doctor-verified disabilities in effect prior to the effective date would be excluded.	Pre-existing condition clauses normally exclude benefits for people already receiving medical treatment. This could be a hardship for certain employees. It is a special problem when switching carriers. A pre-existing condition waiver is included unless we are asked to exclude it.

FEATURE	DEFINITION	NOTES										
Rehabilitation Employment:	Credit for return to work.	If a disabled employee is able to work part-time for rehabilitation, only 50% of the employee's salary will be subtracted (offset) from the disability benefit. Adjusted benefits will be paid for up to two years while the employee participates in rehabilitative employment. The goal of rehabilitative employment is to return to full-time employment.										
Recurrent Disability:	A second disability period following a return to work without satisfying another waiting period.	When an employee returns to work after a disability, any additional days lost due to the same or related disability will be compensated without another waiting period, unless a six-month period has elapsed since the employee's return to work (i.e., back to work more than six months would require satisfaction of another waiting period).										
Leave of Absence/Layoff:	Coverage will be continued for up to 12 months for a leave of absence or layoff, provided the contribution is maintained for all such bargaining unit members. Special provisions apply to the waiting period requirements and covered salary; contact MESSA.	This may be an important feature for school employees.										
Maximum Benefit Period:	Accident and sickness benefits are payable during continuous disability. After two years, an employee must be unable to perform any occupation for which he/she is qualified by training, experience or education.	To age 65 for disabilities that commence prior to age 60. For disabilities commencing at or after age 60, but prior to age 66, benefits are payable up to five years. For disabilities commencing at or after age 66, benefits are payable up to the following periods. <table border="1"> <thead> <tr> <th>Disabled at Age</th> <th>Duration of Benefits</th> </tr> </thead> <tbody> <tr> <td>66</td> <td>4 years</td> </tr> <tr> <td>67</td> <td>3 years</td> </tr> <tr> <td>68</td> <td>2 years</td> </tr> <tr> <td>69 or later</td> <td>1 year</td> </tr> </tbody> </table>	Disabled at Age	Duration of Benefits	66	4 years	67	3 years	68	2 years	69 or later	1 year
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Termination of Insurance:	Termination of the LTD plan will not affect any claim established prior to the date of termination.	This means that an employee who is in the process of satisfying the waiting period will continue to be covered. Many LTD plans will drop an employee who is still in the waiting period.										

### 3. Alternatives available that may be added to your MESSA Plan

FEATURE	DEFINITION	NOTES
Freeze on Offsets:	Future monthly LTD benefits will not be reduced because of automatic, statutory or general cost of living increases in income amounts used as monthly benefit offsets. If such income amounts are initially estimated, these amounts will be adjusted to reflect the final determination.	Increases in Social Security as well as in retirement benefits are not subtracted from disability payments. This is an important feature for employees on the MIP plan.
Waiver for Mental/Nervous Conditions:	These conditions will be covered as any other illness.	Comprehensive coverage treats nervous mental disabilities as any other illness. Many standard plans place restrictions on coverage for these conditions, such as a two-year aggregate limitation or a hospitalization requirement.
Waiver of Alcoholism/Drug Abuse:	These conditions will be covered as any other illness.	Comprehensive coverage treats alcoholism/drug abuse as any other illness. Many standard plans place restrictions on coverage for these conditions, such as a two year aggregate limitation or a hospitalization requirement.

FEATURE	DEFINITION	NOTES
Educational Supplement Program:	This provides \$200 per month per child for the child's college expenses beginning when the employee has been disabled for a period of one year or more (maximum of three children per family at one time).	The benefit period is limited to 36 months per child and is available if the child is enrolled in a four-year, degree granting institution or a two-year junior or community college in preparation for a four-year degree.
Survivor Income Benefit:	In the event of the employee's death, it provides the surviving spouse or eligible child(ren) with a lump sum benefit equal to three times or six times (depending on the option chosen) the last monthly benefit the employee was entitled to receive.	If there is no surviving spouse, the benefit is paid in equal shares to any surviving eligible child(ren), which includes natural children, stepchildren, adopted children and foster children under age 21. If there is no surviving spouse or any surviving children at the time of the employee's death, no survivor benefit is paid.
<b>4. Administration of your MESSA Plan</b>		
FEATURE	DEFINITION	NOTES
Claims Payment Method:	Monthly	Annual pay divided by 12 (30 days per month).

Underwriting and Eligibility Guidelines

The employer must sign an Employer Participation Agreement for this program.

A pre-existing conditions waiver is included unless MESSA is asked to exclude it.

There is an at-work requirement for increases and eligibility. Participation requirements if the plan is non-contributory or there is 100% employee participation guaranteed:

- There is no requirement to work a minimum number of hours (i.e., less than full-time employees); and
- There is no minimum number of lives requirement.

If the plan is contributory and 100% participation is not guaranteed, the minimum work requirements are:

- Teachers and administrators must earn at least half-salary of a full-time person in the same occupation; and
- All other employees must work at least 30 hours per week; and
- There must be 75% or more of the definable group insured, but no less than five persons.

## **REMEMBER**



Modified fill means that disability benefits will begin after the expiration of the latter of an employee's accumulated sick days or the specified waiting period.

Sick days are paid at 100% of salary, which counts toward retirement and Social Security benefits.

Accumulated sick leave may lower the cost if using the modified fill approach.

LTD is not available on an individual basis once the member leaves the group.

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