

## LTDI Program Outline

- Participating MainePERS employers must offer the program to all employees who are MainePERS members
  - Employer may offer the MainePERS LTDI Program, or
  - Employer may offer an LTDI program through another provider
- Benefit percent is 59% or 66.67% of compensation, depending on disability benefit
- Variable core maximum monthly benefit, from \$0 to \$8000 in thousand dollar increments
- Core maximum monthly benefit determined and paid for by employer, may be bargained
- Employees may opt-out of the program if core maximum monthly benefit is \$0
- Buy-up benefit available, paid by employee
- Employee premiums to be paid through payroll deduction, post-tax so that the portion of the benefit contributed by the employee is not taxable
- Eligibility
  - Unable to perform material and substantial duties of employee's own occupation in first two years
  - Unable to perform material and substantial duties of any gainful occupation after two years
- No waiting period for employees actively at work
- Employee must apply for Social Security disability if covered by Social Security
- Elimination period is the later of 180 days of disability or the date the member exhausts short term disability days
- An employee may apply before elimination period ends
- Employee receives service credit while on LTDI
- Benefit payments continue if employee's employment is terminated
- Work Incentive Benefit
  - Benefit is not reduced for RTW earnings for the first 12 months unless the sum of RTW earnings and the benefit exceeds 100% of pre-disability earnings
  - After 12 months, the benefit will be offset according to a proportionate loss formula in which the deduction to the benefit is proportionate to the employee's RTW earnings ratio
- Benefit Offsets
  - MainePERS disability or service retirement, Social Security awards, workers' compensation, sick pay, etc.
- Disabilities due to mental illness and/or drug and alcohol abuse are limited to a lifetime maximum of 24 monthly benefit payments
- Survivor benefit equal to three times the gross monthly benefit amount payable if employee received at least 12 monthly benefit payments prior to the date of death
- Benefit ends when employee is no longer eligible for coverage under the plan, qualifies for a disability retirement benefit, or qualifies for an unreduced service retirement benefit
- A retroactive disability retirement benefit will be offset by any LTDI benefit

## Follow Up

- Is a \$0 core maximum monthly benefit feasible for insurers? **It may not be typical, but Milliman believes it is feasible.**
- Estimated number of employees that would qualify for LTDI annually and average length of benefit? **Per Milliman, common rules of thumb are: (1) 3-4 claims per 1000 covered employees per year; and (2) average time on benefits is 4-5 years. This roughly translates into 150-200 claims per year. For comparison, we grant disability retirement applications to 50-100 applicants per year. Milliman notes that the average time on benefits 4-5 years. Although many claims are closed within 24 months, the average is affected by those with severe conditions that can persist a very long time.**

- Is there a qualifying impairment list? An insurer may or may not have a very short list of conditions that are presumed disabling (e.g., paralysis or blindness), streamlining the approval process. If this question is based on plans that make a distinction between whether a disability is “in the line of duty” or not, where some conditions are presumed to be in the line of duty, that distinction is not applicable to this plan. Additionally per Milliman, there is often a short exclusions list of things not covered (e.g., a disability that results from the insured individual’s commission of a crime).
- How are benefits coordinated (sick leave, STD, workers’ compensation, SSDI, etc.)? Typically there is a dollar-for-dollar offset, and STD and sick leave generally are not an issue because they expire before LTD kicks in. The details are to be worked out with the selected insurer.
- How is an employee paid STD or LTD plan impacted? Same answer as previous question.
- Impact on benefit of other income? See the Work Incentive Benefit above for general application. As to the scenario where the member has outside pre-disability income that they continue to receive, some policies do not offset existing income from a secondary source against the LTD benefit. The details are to be worked out with the selected insurer.
- How to adjust benefit for inflation? Some employers review the covered payroll provision regularly (approximately every 5 years) to determine if LTD benefit levels are still in line with current salaries.