

Supplemental Long Term Disability insurance

For benefits-eligible employees



PEBA
SC Retirement Systems
and State Health Plan

TheStandard



About this brochure

This booklet is designed to answer some common questions about the group Supplemental Long Term Disability (SLTD) insurance coverage that the South Carolina Public Employee Benefit Authority (PEBA) offers to eligible employees. It is not intended to provide a detailed description of the coverage.

If coverage becomes effective and you become insured, you will receive a group insurance certificate containing a detailed description of the insurance coverage, including the definitions, exclusions, limitations, reductions and terminating events. The controlling provisions are in the group policy issued by Standard Insurance Company (The Standard).

Neither the certificate nor the information presented in this booklet modifies the group policy or the insurance coverage in any way. If you have additional questions, please contact your benefits administrator.

Supplemental Long Term Disability insurance features

Chances are you already purchased home, auto and life insurance to protect yourself against the threat of loss. And you probably have health insurance to guard against costly medical bills.

But, what steps have you taken to help shield yourself, your lifestyle and those who count on you from an unexpected loss of income? Would you be able to meet your financial obligations if you became disabled and unable to work?

Supplemental Long Term Disability (SLTD) insurance is designed to pay a monthly benefit to you in the event you cannot work because of a covered illness or injury. This benefit replaces a portion of your income, thus helping you to meet your financial commitments in a time of need.

By providing group SLTD insurance from Standard Insurance Company, PEBA offers you an opportunity to help protect yourself and your lifestyle. The advantages to you include:

- **Convenience.** With premiums deducted directly from your paycheck, you don't have to worry about mailing monthly payments.
- **Savings.** Typically, group insurance rates are lower than the rates of individual insurance plans, generally providing you with coverage at a lower cost.
- **Peace of mind.** You can take comfort and satisfaction in knowing that you have taken a step toward securing your income during a period of disability.

You choose which SLTD plan fits your needs. Plan 1 includes a 90-day benefit waiting period. Plan 2 includes a 180-day benefit waiting period. Your benefit waiting period is the length of time you must be continuously disabled before you become eligible to receive your monthly benefit.

Commonly asked questions

The following information provides details to give you a better understanding of group SLTD insurance available from The Standard. This is not intended as a complete description of the coverage.

Do I need SLTD insurance?

You are automatically enrolled in Basic Long Term Disability (BLTD) insurance at no cost if you enroll in health insurance. Your BLTD benefit is the lesser of these two calculations:

- 62.5 percent of the first \$1,280 of your predisability earnings; or
- 62.5 percent of your predisability earnings, reduced by deductible income.

Your maximum monthly benefit is \$800. Will this be enough for you?

If you are not certain that you need SLTD coverage, consider whether you will be able to meet your financial obligations if you become disabled and unable to work for an extended period of time.





The risk of disability is greater than most people think. Here are the facts:

- More than 25 percent of today's 20-year-olds will become disabled during their career.¹
- 52 percent of adult Americans have no savings earmarked for emergencies.²

Use the worksheet below to help determine if you need disability income protection. Fill in amounts for your monthly expenses and income and compare the two. If you depend on your regular paycheck to pay your bills, what will happen if you become sick and unable to work? Are you prepared for the unexpected? SLTD insurance may be part of the solution.

Monthly Expenses	
Food	\$ _____
Mortgage/rent	_____
Childcare/education	_____
Utilities. (electricity, gas, cable, phone, etc.)	_____
Clothing	_____
Debt..... (credit cards, student and auto loans, etc.)	_____
Insurance..... (health, life, auto, home, etc.)	_____
Taxes	_____
Other	_____
Total monthly expenses	\$ _____

Monthly Income	
Take home pay	\$ _____
Spouse income	_____
Other income.....	_____
Total monthly income	\$ _____

Am I eligible for this coverage?

To be eligible for SLTD insurance coverage, you must:

- Work as an active, permanent, full-time employee as defined by the contract or be a member of the General Assembly or judge in state courts; and
- Be a citizen or resident of the United States or Canada
- **NOTE:** You are not eligible if you are an employee of the state who is covered under any other group long term disability insurance plan that insures any portion of your predisability earnings (other than the BLTD plan); an employee of the state who is receiving retirement benefits from the South Carolina Retirement Systems and who has waived active coverage under the State Health Plan; a temporary or seasonal employee; or a full-time member of the armed forces.

¹ U.S. Social Security Administration, Facts. www.ssa.gov/disabilityfacts/facts.html. Accessed June 2, 2017.

² U.S. Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2016, May 2017.

When does my insurance go into effect?

The effective date of your coverage depends on when you become an eligible member, when you apply, if you meet the active work requirement, and whether you are required to provide medical evidence.

If you are not required to provide medical evidence, and you apply and agree to pay premiums, your SLTD coverage becomes effective on:

- The first workday of the calendar month coinciding with or next following the date you become eligible if you apply on or before that date; or
- The first workday of the calendar month coinciding with or next following the date you apply if you apply within 31 days after you become eligible.

If you are required to provide medical evidence, and you apply and agree to pay premiums, your SLTD coverage becomes effective on the first day of the calendar month following the date The Standard approves your medical evidence. In every case, you must meet the active work requirement before your disability insurance becomes effective.

What is the active work requirement?

Active work means performing with reasonable continuity, the material duties of your own occupation at your employer's usual place of business. You must be capable of active work on the day before the scheduled effective date of your insurance or your insurance will not become effective as scheduled. If you are not actively at work on the day before the scheduled effective date of insurance, your insurance will not become effective until the day after you complete one full day of active work as an eligible employee.

Will I have to provide information about my medical history?

If you apply more than 31 days after becoming eligible to apply, satisfactory medical evidence is required. You will need to complete and submit a *Medical History Statement*. In some cases, The Standard may request additional medical information or a physical exam.

Medical evidence is also required to reinstate terminated coverage, for members who elect to change their coverage from Plan 2 to Plan 1, and for members eligible but not insured under the state's previous SLTD insurance plan, if any.

When do SLTD benefits become payable?

If you become disabled and The Standard approves your claim for SLTD benefits, SLTD benefits become payable after you have been continuously disabled and remain continuously disabled for either:

- 90 days, if you elect coverage under Plan 1; or
- 180 days, if you elect coverage under Plan 2.

SLTD benefits are not payable during the benefit waiting period.

If you do not elect SLTD and once The Standard approves your claim for BLTD benefits, BLTD benefits become payable after you have been continuously disabled and remain continuously disabled for 90 days.





When am I considered disabled?

During the benefit waiting period and the own occupation period, you are considered disabled if, as a result of physical disease, injury, pregnancy or mental disorder:

- You are unable to perform with reasonable continuity the material duties of your own occupation, or
- You suffer a loss of at least 20 percent of your indexed predisability earnings when working in your own occupation.

The own occupation period for the SLTD coverage is the first 24 months for which SLTD benefits are paid. You may work in another occupation while you are disabled from your own occupation.

After the own occupation period, you are considered disabled if, as a result of physical disease, injury, pregnancy or mental disorder, you are unable to perform with reasonable continuity the material duties of any occupation that you are able to perform, whether due to education, training or experience:

- Which is available at one or more locations in the national economy, and
- In which you can be expected to earn at least 65 percent of your indexed predisability earnings within 12 months following your return to work, regardless of whether you are working in that or any other occupation.

How much is the SLTD benefit amount?

Your monthly SLTD benefit is 65 percent of the first \$12,307 of your insured predisability earnings reduced by deductible income. The plan minimum and maximum SLTD benefit amounts are below.

Plan minimum monthly SLTD benefit	Plan maximum monthly SLTD benefit
\$100	\$8,000

How is the SLTD benefit amount calculated?

The SLTD benefit amount is determined by multiplying your insured predisability earnings by the specified benefit percentage. This amount is then reduced by other income you receive or are eligible to receive while SLTD benefits are payable. This other income is referred to as deductible income.

In the example below, the SLTD benefit amount is 65 percent of insured predisability earnings. If your predisability earnings were \$2,000 and you now receive a monthly Social Security disability benefit of \$600 and a monthly state disability benefit of \$200, your monthly SLTD benefit would be calculated as follows:

Insured predisability earnings	\$2,000
SLTD benefit percentage	<u>× 65%</u>
	\$1,300
Less Social Security disability benefit	<u>- \$600</u>
Less state disability income benefit	<u>- \$200</u>
Amount of SLTD benefit	\$500

What are predisability earnings?

Predisability earnings are your monthly rate of earnings from your employer and typically include:

- Salary.
- Shift differential pay.
- Longevity pay.
- Contributions you make through a salary reduction agreement with your employer to an IRC Section 401(k), 403(b), 408(k), 408(p) or 457 deferred compensation arrangement, or an executive nonqualified deferred compensation arrangement.
- Amounts contributed to fringe benefits according to salary reduction agreements under an IRC Section 125 plan.
- Compensation earned during regular summer sessions by university teaching staff.

Predisability earnings generally exclude bonuses, commissions, any renewal commissions, overwriting renewal commissions, service fees, overtime pay, your employer's contribution to a deferred compensation arrangement or pension plan or any other extra compensation. They are based on your earnings in effect on the January 1 preceding your last full day of active work. Please contact your benefits administrator for additional information regarding what is included in predisability earnings.

What is deductible income?

Deductible income is income you receive or are eligible to receive while SLTD benefits are payable. It is used to reduce the amount of your SLTD benefit and includes, but is not limited to, the following:

- Sick pay, annual or personal leave pay, severance pay or other forms of salary continuation (including donated amounts) paid by your employer.
- Benefits under any workers' compensation law, state disability income benefit law or similar law.
- Social Security disability or retirement benefits, including benefits for your spouse and children.
- Disability benefits from any other group insurance, including the Basic LTD provided through the State.
- Deductible income as defined under the Retirement Plan Offset provision.
- Earnings from work activity while you are disabled.
- Earnings or compensation included in your predisability earnings and which you receive or are eligible to receive while SLTD benefits are payable.
- Amounts due from or on behalf of a third party because of your disability.
- Any amount you receive by compromise, settlement or other method as a result of a claim for any of the above.





What is the maximum benefit period?

If you become disabled before age 62, SLTD benefits may continue during disability until you reach age 65 or 3 years and 6 months, whichever is longer. If you become disabled at age 62 or older, the benefit duration is determined by your age when disability begins as indicated in the table below.

Age when disability begins	Maximum benefit period
62.....	3 years 6 months
63.....	3 years
64.....	2 years 6 months
65.....	2 years
66.....	1 year 9 months
67.....	1 year 6 months
68.....	1 year 3 months
69 and older	1 year

When do SLTD benefits end?

SLTD benefits end automatically on the earliest of:

- The date you are no longer disabled.
- The date your maximum benefit period ends.
- The date you die.
- The date benefits become payable under any other LTD plan under which you become insured through employment during a period of temporary recovery.

What are some of the other features of this coverage?

This SLTD coverage has the following features:

- It covers disabilities that occur 24 hours a day, both on and off the job.
- If premium payments are made with after-tax dollars, SLTD benefits are federally tax-free under current federal tax law.
- If your employer makes an approved work-site modification that enables you to return to work while disabled, The Standard will reimburse your employer up to a pre-approved amount for some or all of the cost of the modification.
- If you die while SLTD benefits are payable, and on the date you die you have been continuously disabled for at least 180 days, a Survivors Benefit equal to three times your unreduced SLTD benefit may be payable. Any Survivors Benefit payable will first be applied to any overpayment of your claim due to The Standard.
- If the group policy terminates, SLTD benefits will continue as long as you are eligible to receive them.
- If you reach your maximum benefit period, benefits may continue for those eligible under the Lifetime Security Benefit.



What exclusions apply to this coverage?

You are not covered for a disability caused, or contributed to, by any of the following:

- An intentionally self-inflicted injury, while sane or insane.
- War or any act of war (declared or undeclared, and any substantial armed conflict between organized forces of a military nature).
- A preexisting condition or the medical or surgical treatment of a preexisting condition unless on the date you become disabled, you have been continuously insured under the group policy for the 12-month exclusion period (12 months insured under Plan 1 and 12 months insured under Plan 2).

What is a preexisting condition?

A preexisting condition is a mental or physical condition, for which you have consulted a physician, received medical treatment or services, or taken prescribed drugs or medications at any time during the preexisting condition period.

The preexisting condition period is the six month (applies to both Plan 1 and Plan 2) period just before your SLTD insurance becomes effective.

What limitations apply to this coverage?

SLTD benefits are not payable for any period when you are:

- Not under the ongoing care of a physician in the appropriate specialty as determined by The Standard.
- Not participating in good faith in a plan, program or course of medical treatment or vocational training or education approved by The Standard, unless your disability prevents you from participating.



- Confined for any reason in a penal or correctional institution.
- Able to work and earn at least 20 percent of your indexed predisability earnings, but you elect not to work; during the own occupation period, the responsibility to work is limited to work in your own occupation; thereafter, the responsibility to work includes work in any occupation.

Also, if you are living outside of the United States or Canada, payment of SLTD benefits is limited to 12 months for each period of continuous disability.

In addition, payment of SLTD benefits is limited in duration to 24 months in your lifetime if your disability is caused, or contributed to, by mental disorders, substance abuse or other limited conditions.

It is important to note that no SLTD benefits will be paid for any period of disability, if you are eligible and not receiving disability under BLTD.

When does my SLTD insurance coverage end?

The SLTD insurance ends automatically on the earliest of the following:

- The date the last period ends for which you make a premium contribution (except if premiums are waived while disabled).
- The date your employment terminates.
- The date the group policy terminates.
- The date you cease to be a member; however, insurance may continue for limited periods under certain circumstances as described in the group policy.
- If applicable, the date your employer ceases to participate under the group policy.

How much will the SLTD coverage cost?

The monthly premium factors for the group SLTD coverage are below. The rates below are effective September 1, 2020. Multiply the premium factor for your age and plan selection by your monthly earnings to determine your monthly premium.

Employee age preceding January 1	Plan 1 (90-day waiting period)	Plan 2 (Six month waiting period)
Under 31	0.00062	0.00049
31 to 40	0.00086	0.00067
41 to 50	0.00170	0.00129
51 to 60	0.00343	0.00263
61 to 65	0.00412	0.00316
66 and older	0.00504	0.00387

How do I apply for SLTD insurance coverage?

You can enroll in SLTD insurance coverage through PEBA within 31 days from the date you first become eligible or throughout the year with medical evidence. Contact your benefits administrator for more information on how to enroll. Coverage subject to medical evidence is not effective until approved by The Standard.

What if I have additional questions?

Please contact your benefits administrator if you have additional questions.



PEBA has chosen Standard Insurance Company to provide group SLTD coverage to eligible employees. The Standard has earned a solid reputation for its quality products, superior customer service, expert resources, steady growth, innovation and strong financial performance. Founded in 1906, The Standard has developed a national presence in the employee benefits industry, providing customers with group and individual disability insurance and retirement plans, and group life and dental insurance.

Just as others count on you, you can count on The Standard for SLTD insurance in a time of need. Talk with your benefits administrator for more information about group SLTD insurance from The Standard.

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