

Long Term Disability Update:

July 1, 2020 Premium Rate for Members of TMG

McMaster University's Long-Term Disability (LTD) plan is an income protection benefit plan for eligible employees who become totally disabled as a result of non work-related illnesses or injuries. The LTD plan provides income replacement based on 75% of net income to a maximum monthly benefit of \$7,000.

What is LTD?

LTD is an employee-paid benefit; therefore, the LTD benefit payments an employee receives when on LTD are not taxed as income. Participation in the LTD plan is mandatory and is a condition of employment for eligible employees. The LTD plan is provided through Sun Life Financial. The University is the contract holder with Sun Life and Sun Life adjudicates and pays claims and maintains reserve funds to cover expected disability claims.

How are LTD Premium Rates Determined?

Each year, Sun Life meets with a team which includes representatives from the employee group (as applicable) and Human Resources to review the information about LTD utilization. The financial results are shared with representatives of each of the participating employee groups to enable an understanding of the required change in premiums each year.

Premium rates are experience-based by employee group. There are 3 groupings for purposes of LTD: TMG and Others (including unranked faculty and employees of affiliate employers eligible for LTD); Unifor; Faculty and Librarians. LTD rates are renewed each year and different premium rates are set for participating employee groups based on the volume and duration of claims incurred by members of that group. The claim experience for TMG has worsened in the past year and Sun Life has advised that an increase in the premium rate has resulted.

The LTD Plan is currently refund-accounted. Effective July 1, 2020, the University is moving to a fully-insured arrangement with Sun Life for the LTD Plan which means that any future deficits or surpluses that may result in a given year will no longer be the responsibility of the employee groups.

What Changes can I expect to my LTD Premium Rate?

Effective July 1, 2020, the premium rate will increase from 0.868% to 0.990% of base salary (plus 8% sales tax). LTD plan participants will first notice a change in their LTD premium deductions beginning in the July 17th pay deposit. The following illustrates the effect of this change:

	Premium Rate for July 1, 2019 to June 30, 2020	Revised Premium Rate for July 1, 2020 to June 30, 2021	
	0.868%	0.990%	
Annual Salary	LTD Premium (plus tax) Paid per Biweekly Pay (24 deductions per year) *		Increase per Bi- weekly Pay
\$85,000	\$33.20	\$37.87	\$4.67
\$120,000	\$46.87	\$53.46	\$6.59

* Calculation is: ((Annual Salary x Full Premium Rate)/24)*1.08 (PST)

Should you have any questions regarding the LTD Plan, please refer to the [Total Rewards webpage](#) or contact your area [HR Advisor](#). Additional information is also available in the [LTD FAQs](#).