

## **Long Term Disability Update:**

### **July 1, 2020 Premium Rate for Members of Unifor Unit 1 (Staff) Unifor Unit 3 (Parking and Transit Services) Unifor Unit 4 (Special Constables)**

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.

#### **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. 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 Unifor has worsened in the past year and Sun Life has advised that an increase in the premium rate would be required effective July 1, 2020. This increase in premium rate is to pay for future claims and is in addition to the significant deficit that exists due to the underfunding of past claims.

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 will take place as a result of the Unifor referendum?**

The premium rates for Unifor have continued to rise in recent years due to an increase in the number and duration of claims for members of Unifor. One approach to address the increase in premium rates that would have been required July 1, 2020 was to consider plan design changes. Unifor leadership brought forward to its members the option of implementing the following LTD plan changes effective July 1, 2020:

- Remove the Cost of Living Adjustment (COLA) provision which provides the lesser of the Consumer Price Index (CPI) or 2%; and
- Reduce the benefit level from 75% of net earnings to 70% of net earnings

In the recent referendum, the members of Unifor voted to accept the above changes in plan design to help manage the premium rate and lessen the increase that otherwise would have occurred July 1, 2020.

**What Changes can I expect to my LTD Premium Rate?**

Effective July 1, 2020, the premium rate will decrease slightly from 2.594% to 2.496% of base salary (plus 8% sales tax). LTD plan participants will first notice a change in their LTD premium deductions beginning in the July 17<sup>th</sup> pay deposit.

The following illustrates the effect of this change in premium rate:

			Premium Rate for July 1, 2019 to June 30, 2020	Revised Premium Rate for July 1, 2020 to June 30, 2021	
			2.594%	2.496%	
Grade	Step 10 Rate (Hourly)	Converted to Annual	LTD Premium (plus tax) Paid per Biweekly Pay (24 deductions per year) *		Change per Bi-weekly Pay
5	\$29.51	\$53,892.46	\$62.91	\$60.53	- \$2.38
8	\$37.73	\$68,904.19	\$80.43	\$77.39	- \$3.04
11	\$49.63	\$90,636.49	\$105.80	\$101.80	- \$4.00

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

When the financial results for 2018/19 were initially presented, the premium rate for July 1, 2020 was required to be 2.646% of base salary (plus 8% sales tax). It was recommended that the premium rate be further increased to 2.964% with the additional amount to be used to pay towards the deficit. With the result of the referendum and the decision to implement the above plan design changes, the premium rate now required for July 1, 2020 is 2.2491% of base salary (plus 8% sales tax). In addition, the new premium has been further adjusted to 2.496% of base salary (plus 8% sales tax) with the additional amount to be paid towards the existing deficit. This rate is shown in the chart above.

The University and Unifor will continue to work cooperatively to discuss approaches intended to mitigate claims expenses and costs and address the increase in utilization.

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](#).