

Long Term Disability Update: July 1, 2021 Premium Rate for Members of MUFA (Faculty and Senior Academic Librarians) and MUALA

This memo is to update members of the MUFA and MUALA employee groups on decreases to Long Term Disability premiums.

Representatives from MUFA, MUALA and the University work closely together to review the LTD Plan (the “Plan”) approach that provides income protection balanced with the cost to employees. Decreased claims for MUFA and MUALA members means that a premium decrease is indicated.

The Long Term Disability (LTD) premium rate for members of MUFA and MUALA will decrease on July 1, 2021 from 1.025% to 0.461% of base salary (plus 8% sales tax). LTD Plan participants will first notice a change in their LTD premium deductions beginning in either the July 9th or July 16th pay deposit, depending on your pay schedule. The chart below includes example salaries and how pay deductions will change:

	Current Premium Rate July 1, 2020 to June 30, 2021	Revised Premium Rate July 1, 2021 to June 30, 2022	
	1.025%	0.461%	
Annual Salary	LTD Premium (plus tax) per Biweekly Pay (24 deductions per year) *		Change per Bi-weekly Pay
\$100,000	\$46.13	\$20.75	-\$25.38
\$150,000	\$69.19	\$31.12	-\$38.07

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

Why is the LTD rate decreasing?

Premium rates fluctuate each year based on the Plan experience for MUFA and MUALA. The number and cost of claims determine whether the premium rate increases or decreases. The experience for MUFA and MUALA was positive resulting in a decrease in premium rate.

Frequently Asked Questions and Answers About LTD

What is LTD?

Long Term Disability (LTD) insurance provides employees with income protection in case they are unable to work for an extended period due to illness or disability. If an employee becomes unable to work and loses their employment income as a result, as long as they meet disability criteria as evaluated by the insurer, they receive LTD benefits. The LTD Plan provides income replacement based on 85% of net income to a maximum monthly benefit of \$10,000.

LTD is an employee-paid benefit; therefore, the LTD benefit payments an employee receives when on LTD are not taxed as income. McMaster University is not permitted to contribute any portion of the premium as it would render the benefits taxable, as per the Income Tax Act. 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.

Is the LTD Plan fully insured?

Effective July 1, 2020, the LTD Plan became fully insured. Prior to July 1, 2020, the LTD Plan was refund accounted which meant that depending on the results of the program each year, a deficit could result if premiums remitted to Sun Life were not sufficient to cover the cost of the program or a surplus could result if premiums remitted to Sun Life exceeded the cost of the program. While the financial results for the July 1, 2019 to June 30, 2020 Plan year resulted in a deficit for some employee groups, there is no deficit attributable to members of MUFA and MUALA. With the University's move to a fully insured arrangement with Sun Life for the LTD Plan effective July 1, 2020 any future deficits or surpluses that may result in a given year will no longer be the responsibility of the employee groups.

How are LTD premium rates determined?

The LTD Plan is a yearly renewable contract. The premium collected in a given Plan year should be sufficient to pay all the claims incurred in that year plus Sun Life's costs to administer the Plan and all applicable taxes. An LTD claimant may receive payments for many years since the benefit may be payable up to age 65. Premiums must fund both current and future claims.

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. Each year, information about LTD utilization is shared with representatives of MUFA and MUALA to enable an understanding of the required change in premiums.

Is the July 1, 2021 premium rate indicative of the July 1, 2022 premium rate?

The premium rates will fluctuate year to year depending on experience. The renewal rate for the July 1, 2021 to June 30, 2022 year is considerably lower than the prior year as a result of the very positive experience realized. It is likely that any increase in LTD claims will result in a higher premium rate next year.

What initiatives does McMaster have in place to help reduce time away from work associated with LTD?

McMaster University strives to promote a work environment that is inclusive, respectful, healthy and safe. The University has a variety of programs designed to support the health, safety and wellbeing of the campus community, including an assortment of Workplace Wellness Programs at McMaster: https://hr.mcmaster.ca/employees/health_safety_well-being/. Employees of McMaster have access to the Employee and Family Assistance Program (EFAP) with Homewood Health.

Programs are also in place to enable staff and faculty to remain productive at work through workplace accommodations. Employee Health Services also works with employees and leaders to lessen the duration of absences due to illness or injury. This includes management of medical leaves during the Salary Continuance entitlement period, supportive return to work initiatives, and providing workplace accommodations to assist employees with return to work.

In 2019, the mental health benefits provided through Sun Life increased to \$3,000 per person per year for the employee and each of their eligible dependents (from \$500 annually) for services received by psychologists, social workers and psychotherapists. Most recently, a new Mental Health Task Force has been launched to make recommendations to support the mental health and wellbeing of staff, faculty and students. Recommendations are expected this summer.

All of these programs and policies are aimed at providing support to employees and reducing the number and duration of employee absences.

Additional Information

Should you have any questions regarding the LTD Plan, please refer to the Total Rewards webpage for [MUFA](#) or [MUALA](#) or contact your area [HR Representative](#).

Additional information is also available in the [LTD FAQs](#).