

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
ACTION ITEM**

SUBJECT: Proposed Short-term Disability Benefit Extension

ELECTION DISTRICT: Countywide

CRITICAL ACTION DATE: November 15, 2016

STAFF CONTACTS: Jeanette Green, Human Resources
Alysia Phippen, Human Resources
Cheryl Middleton, Finance and Procurement

PURPOSE: Proposed plan design change to the legacy disability program for Plan Year 2017 (effective January 1, 2017).

RECOMMENDATIONS: Staff recommends that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors authorize the design changes for the legacy disability program (inclusive of VRS Plan 1 & Plan 2 members) to extend the short-term disability benefit period to 180 days from the current 90 days and adjust the long-term disability waiting period from 90 to 180 days. Staff further recommends that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors authorize the Purchasing Agent and Benefits Manager to take the necessary actions to implement.

BACKGROUND: In 2005 the County implemented a disability benefit program providing both short-term disability (STD) and long-term disability (LTD) benefits to its regular employees. This program, now referred to as the legacy disability program, provides partial income replacement (60%) for employees who are unable to work due to a non-work related illness/injury, or other medical condition. This program is considered a core benefit and is provided at no cost to eligible employees. The current benefit period for STD is 90 days. LTD provides coverage starting on the 91st day and lasting for a period of up to 12 months. The legacy disability program also provides a LTD “buy-up” option for employees who wish to purchase a higher income replacement level and a longer benefit period. Under the LTD buy-up option, income replacement increases to 67% and coverage continues until the employee’s Social Security Normal Retirement Age. The legacy disability program is available to regular County employees who are enrolled in VRS Plan 1 or Plan 2. The County maintains a contract with Standard Insurance Company (“The Standard”) to administer the program.

A mandated disability program was created by the Virginia General Assembly in 2012. Employees hired on or after January 1, 2014 who are covered under the Virginia Retirement System (VRS) Hybrid Plan¹ are eligible for a disability program exclusively for Hybrid Plan members after 12 months of employment. Additionally, the County provides an interim short-term disability program for employees' initial 12 months of employment. The Standard also administers this program.

ISSUES: Since January 2011 the County's LTD claims experience has exceeded projections used for establishing premiums which includes the number of claimants and the length of their disability period. The LTD Buy-up loss ratio since inception is 195% versus the benchmark 70-79%. As such, for the 2017 plan year, employee paid premiums for the LTD "buy up" option are set to increase on average of 75% over Plan Year 2016 resulting in a significant financial impact to employees enrolled in the buy-up program. Currently, 46% of eligible employees are enrolled.

Staff is recommending to extend the STD benefit period to 180 days from the current 90 days and to adjust the long-term disability waiting period from 90 to 180 days. This program design is more common within public sector short-term disability plans. Additionally, research shows that most disabilities are resolved within six months from the onset of injury or illness. The proposed change will minimize the increase to employee paid premiums to 37% on average. While additional design considerations would result in an even lower increase, staff is not recommending other changes at this time as they would dilute the value of the program.

FISCAL IMPACT: There would be no additional impact to the Fiscal Year 2017 Adopted Budget as sufficient funding exists. The County is self-insured for short-term disability, therefore extending the benefit period to 180 days is already included in the employee's budgeted salary. While the County will experience a nominal increase in the monthly fee for administering the extended claims period, the core LTD administrative fee will decrease to offset the added cost. The estimated annual net savings to the County is \$4,629.

ALTERNATIVES:

1. Recommend to the full Board of Supervisors to adopt the program design changes for the legacy disability program as outlined in this item and authorize the Purchasing Agent and Benefits Manager to take the necessary actions to implement.

OR

2. Do not recommend adopting the program design changes for the legacy disability program as outlined in this item and direct staff how to proceed.

¹ Eligible County employees hired on or after January 1, 2014 (excluding public safety) are automatically enrolled in the VRS Hybrid Plan.

DRAFT MOTION:

1. I move that the Finance/Government Operations and Economic Development Committee recommend to the full Board of Supervisors to **adopt** the design changes for the legacy disability program as outlined in this item and authorize the Purchasing Agent and Benefits Manager to take the necessary actions to implement.

OR

1. I move an alternate motion.

ATTACHMENTS:

1. Group Disability Plan Benefit Booklet



TheStandard®

Group Disability Coverage

FOR EMPLOYEES OF LOUDOUN COUNTY GOVERNMENT

Answers to your questions about Short Term Disability Income Benefit Plan and Long Term Disability (LTD) insurance from Standard Insurance Company



STANDARD INSURANCE COMPANY

About This Booklet

This booklet is designed to answer some common questions about the Short Term Disability (STD) Income Benefit Plan and Long Term Disability (LTD) Insurance Policy offered by Loudoun County Government to eligible employees. It is not intended to provide a detailed description of the coverage.

If you become insured, you will receive online access to the certificates containing a detailed description of the disability coverage including the definitions, exclusions, limitations, restrictions and terminating events. The controlling provisions will be found in the *plan document* and *group policy*. Neither this booklet nor the certificates modify the *plan document*, the *group policy* or the disability coverage in any way.

Please note that defined terms from the *plan document* and *group policy* are italicized in this booklet.



The Standard®

Disability Coverage Features

Chances are you already purchase 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.

So, 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 for an extended period of time?

Do I need disability insurance?

The risk of *disability* may be greater than you think. Recent statistics have shown:

- Over 7.6 million workers are receiving Social Security disability benefits; almost half are under age 50 (Source: Social Security Administration, Fact Sheet July 2009)
- Almost 3 in 10 of today's 20 year olds will become disabled before reaching age 67 (Source: Social Security Administration, Fact Sheet 2009)
- Every 90 seconds someone files for bankruptcy in the wake of a serious illness (Source: The American Journal of Medicine, Vol 122, No. 8 August, 2009)

If you depend on your regular paycheck to pay your bills, what would happen if you became sick and couldn't work? Disability coverage from The Standard may be part of the solution.

Short Term Disability Income Benefit Plan

Short Term Disability coverage is designed to pay a benefit to you in the event you cannot work because of a covered illness or *injury*. This benefit replaces a portion of your weekly income, thus helping you to meet your financial commitments in a time of need. The cost of this coverage is paid by Loudoun County Government.

Loudoun County Government has retained Standard Insurance Company to act on its behalf as Claims Administrator for the Plan with respect to all claims for *STD benefits* submitted to The Standard for administration and management. The Standard shall receive, process, investigate and evaluate claims for *STD benefits*. The Standard has discretionary authority to make initial decisions to approve, deny or close claims for *STD benefits*. The Standard is also authorized to review and decide appeals of denied or closed claims, if requested by claimants as provided in the appeal provision of the *plan document*. Thereafter, Loudoun County Government may elect to hear and decide any further appeals by claimants.

The Standard will also perform certain administrative services for the Plan, including advising and assisting Loudoun County Government with preparation and revision of the *plan document* and providing actuarial services. The Standard has no authority or obligation with respect to management or investment of the assets of the Plan or Loudoun County Government's right of subrogation under the *plan document*.

Commonly Asked Questions

Am I eligible for this coverage?

To be a *member* and eligible for the Short Term Disability Income Benefit Plan, you must be:

1. A regular employee of Loudoun County Government who is:
 - a. A Constitutional Officer, or an employee of a Constitutional Officer;
 - b. An Elected Official who is a member of the Board of Supervisors, or a staff aide of an Elected Official;
 - c. Any other employee; or
2. A regular employee of Loudoun Soil and Water Conservation District;
3. *Actively at work* at least 30 hours each week (for purposes of the *member* definition, *Actively at work* will include regularly scheduled days off, holidays, or vacation days, so long as the person is capable of Active Work on those days); and
4. A citizen or resident of the United States or Canada.

Member does not include a temporary or seasonal employee, a full-time member of the armed forces of any country, a leased employee, or an independent contractor.

When does my STD coverage go into effect?

If you meet the definition of *member* on the *plan document effective date*, your coverage will become effective on the *plan document effective date*.

If you become a *member* after the *plan document effective date* your coverage will become effective on the first day of the calendar month following the date you become a *member*.

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.

STD Income Benefit Plan Provisions

When am I considered disabled?

During the *benefit waiting period* and while STD benefits are payable, you are considered *disabled* under the STD Income Benefit Plan 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*, and
- You suffer a loss of at least 20 percent of your *predisability earnings* when working in your *own occupation*.

You are not *disabled* merely because your right to perform your *own occupation* is restricted, including a restriction or loss of license. You may work in another occupation while you are *disabled* from your *own occupation*; however, you will not be considered *disabled* when your *work earnings* from another occupation exceed 80

percent of your *predisability earnings*. Please note, that while you may earn up to 80 percent of your *predisability earnings*, all *deductible income* provisions, as listed on page 4 of this booklet, will apply.

When do STD benefits become payable?

If you become *disabled* and your claim for *STD benefits* is approved by The Standard, *STD benefits* become payable after the *benefit waiting period*. This is a specified number of days during which you must remain continuously *disabled*. *STD benefits* are not payable during the *benefit waiting period*. The *benefit waiting period* is 14 days.

How much is the STD benefit amount?

Your weekly *STD benefit* is 60 percent of your weekly insured *predisability earnings*, reduced by *deductible income*. The plan minimum and maximum *STD benefit* amounts are indicated below.

Plan maximum weekly STD benefit	Plan minimum weekly STD benefit
\$3,500	\$15

How is the STD benefit amount calculated?

The *STD 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 *STD benefits* are payable. This other income is referred to as *deductible income*.

In the example below, the *STD benefit* amount is 60 percent of insured *predisability earnings*. If your weekly earnings (or *predisability earnings*) before becoming *disabled* were \$500 your weekly *STD benefit* would be calculated as follows:

Insured <i>predisability earnings</i>	\$500
<i>STD benefit</i> percentage	x 60%
Amount of <i>STD benefit</i>	\$300

What are predisability earnings?

Predisability earnings are your weekly rate of earnings from your *employer*, including:

- 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

Predisability earnings does not include bonuses, commissions, overtime pay, shift differential pay, stock options or stock bonuses, 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 last full day of *active work*. Please contact your Benefits Office 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 *STD benefits* are payable. It is used to reduce the amount of your *STD benefit*. It includes, but is not limited to, the following:

- Amounts received under any workers' compensation law, unemployment compensation law, state disability income benefit or similar law
- Disability benefits you receive or are eligible to receive because of your *disability* from any other group coverage
- Disability or retirement benefits under your *employer's* retirement plan
- Earnings from work activity while you are *disabled*, plus the earnings you could receive, if you worked as much as you are able considering your *disability*
- Earnings or compensation included in your *predisability earnings* and which you receive or are eligible to receive while *STD benefits* are payable
- Sick pay, annual or personal leave pay, severance pay, or other salary continuation, including donated amounts, (but not vacation pay) paid to you by your *employer*, if it exceeds the amount found in a., b., and c.
 - a. Determine the amount of your *STD benefit* as if there were no *deductible income*, and add your sick pay or other salary continuation to that amount.
 - b. Determine 100% of your Predisability Earnings.
 - c. If a. is greater than b., the difference will be *deductible income*.
- Any amount you receive by compromise, judgment, 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*, *STD benefits* may continue during *disability* up to 76 days. This is the maximum period for which *STD benefits* are payable for any one period of continuous *disability*. However, your *STD benefits* will end on the date Long Term Disability (LTD) benefits become payable, even if this occurs before the end of the *maximum benefit period* for the *STD benefits*.

When do STD benefits end?

STD 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 disability plan under which you become insured through employment during a period of *temporary recovery*
- The date long term disability (LTD) benefits become payable to you under an LTD policy sponsored by your *employer*
- The date you fail to provide proof of continued *disability* and entitlement to benefits

What are some of the other features of this coverage?

This STD coverage has the following features:

- If you return to work in any occupation for any employer, not including self-employment, as a result of a reasonable accommodation made by such employer, we will pay that employer a Reasonable Accommodation Expense Benefit in an amount agreed to by us, but not to exceed the expenses incurred.
- If the *group policy* terminates, *STD benefits* will continue as long as you are eligible to receive them.

What exclusions apply to this coverage?

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

- Your involvement in any employment for wage or profit
- Your committing or attempting to commit an assault or felony, or your active participation in a violent disorder or riot
- 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)
- The loss of your professional or occupational license or certification

What limitations apply to this coverage?

STD 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 *predisability* earnings in your *own occupation*, but you elect not to work
- Eligible to receive benefits for your *disability* under a workers' compensation law or similar law

When does my STD coverage end?

Your STD coverage ends automatically on the earliest of the following:

- The date your employment terminates
- The date the *plan* terminates
- The date you cease to be a *member*; however, coverage may continue for limited periods under certain circumstances as described in the *plan*
- The date the last period ends for which a contribution was made for your coverage

What if I have additional questions?

If you have any additional questions, please contact the Benefits Office.

Long Term Disability Insurance

Long Term Disability (LTD) insurance from Standard Insurance Company 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 monthly income, thus helping you to meet your financial commitments in a time of need.

Your *employer* provides eligible employees with LTD coverage under a Base LTD Plan to help protect a certain level of income. Since every employee's needs are different, your *employer* also provides eligible employees with the opportunity to apply for coverage under a Buy-up LTD Plan from The Standard.

The advantages of the Buy-up LTD coverage include:

- **Choice** — You decide which LTD plan meets your specific needs.
- **Flexibility** — If your needs change, you have the flexibility to move between the core and the buy-up plan. Increases in coverage require proof of good health, referred to as *evidence of insurability*.
- **Convenience** — Premiums for the Buy-up LTD Plan are deducted directly from your paycheck, so you don't have to worry about mailing monthly payments.
- **Peace of Mind** — You can take comfort in knowing that you have taken a step to help protect your income and lifestyle in the event of a disability.

Commonly Asked Questions

The following information can help you better understand the Buy-up LTD insurance available from The Standard.

What is Buy-up LTD coverage?

Buy-up LTD insurance offers you the opportunity to choose one of two levels of LTD coverage. The Base LTD Plan is fully paid by your *employer* and provides a basic level of LTD coverage. The Buy-up LTD Plan is paid for by both you and your *employer* and provides for a higher level of LTD coverage.

You have the option to become insured under the Base LTD Plan or the Buy-up LTD Plan to meet your individual needs for income protection. If you do not enroll in the Buy-up LTD Plan, you will be automatically insured under the Base LTD Plan, provided you are an eligible *member* and meet the *active work* requirement.

Am I eligible for this coverage?

To be a *member* and eligible for LTD coverage, you must be:

1. A regular employee of Loudoun County Government who is:
 - a. A Constitutional Officer, or an employee of a Constitutional Officer;
 - b. An Elected Official who is a member of the Board of Supervisors, or a staff aide of an Elected Official;
 - c. Any other employee; or
2. A regular employee of Loudoun Soil and Water Conservation District;
3. *Actively at work* at least 30 hours each week (for purposes of the *member* definition, *actively at work* will include regularly scheduled days off, holidays, or vacation days, so long as the person is capable of *active work* on those days); and
4. A citizen or resident of the United States or Canada.

Member does not include a temporary or seasonal employee, a full-time member of the armed forces of any country, a leased employee, or an independent contractor.

When does my insurance coverage become effective?

The effective date of your coverage depends on when you become an eligible *member*, whether you are applying for the Buy-up LTD Plan and whether you are required to provide *evidence of insurability*.

Base LTD Plan

Your LTD coverage under the Base LTD Plan will go into effect on the day after you serve your *eligibility waiting period*, provided you meet the *active work* requirement.

Buy-up LTD Plan

If you apply for the Buy-up LTD Plan and agree to pay premiums for this coverage, your coverage becomes effective on the later of:

- The date you become eligible if you apply on or before that date, or
- The date you apply if you apply within 31 days after you become eligible, or
- The date The Standard approves your *evidence of insurability*, when required.

Late application: *evidence of insurability* is required if you apply for the Buy-up LTD Plan more than 31 days after you become eligible.

Under each circumstance you must meet the *active work* requirement before your insurance becomes effective.

What is the eligibility waiting period?

The *eligibility waiting period* is the period you **must** be a *member* before you become eligible for insurance.

If you meet the definition of *member* on the *group policy effective date*, you are eligible on that date.

If you become a *member* after the *group policy effective date* you are eligible on the first day of the calendar month following the date you become a *member*.

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 regarding my medical history?

If you apply for Buy-Up LTD insurance within 31 days of becoming eligible and meet the *active work* requirement, you may qualify to insure your *predisability earnings* up to the maximum amount of \$10,000. This means that you will not have to submit satisfactory *evidence of insurability* to purchase coverage up to this amount.

The Standard will require you to provide information regarding your medical history, referred to as *evidence of insurability*, if you:

- Apply for the Buy-up LTD Plan more than 31 days after you become eligible for insurance
- Were eligible for more than 31 days but not insured under your company's prior LTD coverage, if any
- Terminate your coverage under the Buy-up LTD Plan for any reason, but later apply to become insured under the Buy-up LTD Plan again

When am I considered disabled?

Own Occupation Period:

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*, and
- 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 Base LTD Plan and Buy-Up LTD Plan is the first 12 months for which LTD benefits are payable.

You are not *disabled* merely because your right to perform your *own occupation* is restricted, including a restriction or loss of license.

Any Occupation Period:

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 which 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 60 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.

The *any occupation period* does not apply to the Base LTD Plan. The *any occupation period* for the Buy-up LTD Plan begins at the end of the *own occupation period* and continues until the end of the *maximum benefit period*.

How is the LTD benefit amount calculated?

The monthly *LTD 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 *LTD benefits* are payable. This other income is referred to as *deductible income*. The *LTD benefit* amount for each plan is indicated below.

	Base LTD Plan	Buy-Up LTD Plan
Percentage of monthly <i>predisability earnings</i>	60%	67%
Maximum monthly <i>LTD benefit</i>	\$8,000	\$10,000
Minimum monthly <i>LTD benefit</i>	\$100 or 10% of your LTD Benefit, whichever is greater.	

To compare the amount of your *LTD benefit* under both plans, fill in the blanks below.

	Base LTD Plan	Buy-Up LTD Plan
1. Enter your monthly <i>predisability earnings</i> .	\$ _____ (If your monthly <i>predisability earnings</i> exceed \$13,333, enter \$13,333 above.)	\$ _____ (If your monthly <i>predisability earnings</i> exceed \$14,925, enter \$14,925 above.)
2. Percentage of <i>predisability earnings</i> :	60%	67%
3. Multiply the amount on line 1 by the percentage on line 2 and enter the total here.	\$ _____	\$ _____
This is your monthly <i>LTD benefit</i> amount before reduction for <i>deductible income</i> .		

What are predisability earnings?

Predisability earnings are your monthly rate of earnings from your *employer*, including:

- Contributions you make through a salary reduction agreement with your *employer* to an Internal Revenue Code (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

Predisability earnings does not include bonuses, commissions, overtime pay, shift differential pay, stock options or stock bonuses, your *employer's* contribution to a deferred compensation arrangement or pension plan, or any other extra compensation.

Predisability earnings are based on your earnings in effect on the last full day of *active work*.

What is deductible income?

Deductible income is income you receive or are eligible to receive while *LTD benefits* are payable. It is used to reduce the amount of your *LTD benefit*. *Deductible income* 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*, if it exceeds the amount found in a., b., and c.
 - a. Determine the amount of your *LTD Benefit* as if there were no *Deductible Income*, and add your sick pay or other salary continuation to that amount.
 - b. Determine 100% of your indexed *predisability earnings*.
 - c. If a. is greater than b., the difference will be *deductible income*.
- Amounts received under any workers' compensation law, unemployment compensation law, state disability income benefit or similar law
- Social Security disability or retirement benefits, including benefits for your *spouse* and *children*
- Disability benefits you receive or are eligible to receive because of your *disability* under another group insurance coverage
- Disability or retirement benefits under your *employer's* retirement plan
- Earnings from work activity while you are *disabled*, plus the earnings you could receive if you worked as much as you are able, considering your *disability*
- Earnings or compensation included in your *predisability earnings* and which you receive or are eligible to receive while *LTD benefits* are payable
- Any amount you receive by judgment, compromise, settlement or other method as a result of a claim for any of the above

What is the maximum benefit period?

The *maximum benefit period* means the longest period for which *LTD benefits* are payable for any one period of continuous *disability*, whether from one or more causes. It begins at the end of the *benefit waiting period*. No *LTD benefits* are payable after the end of the *maximum benefit period*, even if you are still *disabled*.

Maximum Benefit Period:

Base LTD Plan

12 months

Buy-up LTD Plan

If you become *disabled* before age 62, *LTD benefits* may continue during *disability* until you reach age 65, or to SSNRA, or 3 years 6 months, whichever is longest. If you become *disabled* at age 62 or older, the benefit duration is determined by your age when *disability* begins:

Age	Maximum Benefit Period
62	To SSNRA, or 3 years 6 months, whichever is longer
63	To SSNRA, or 3 years, whichever is longer
64	To SSNRA, or 2 years 6 months, whichever is longer
65	2 years
66	1 year 9 months
67	1 year 6 months
68	1 year 3 months
69 or older	1 year

Social Security Normal Retirement Age (SSNRA) means your normal retirement age under the Federal Social Security Act, as amended.

When do LTD benefits become payable and for how long?

LTD benefits become payable after the *benefit waiting period*. *LTD 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*
- The date you fail to provide proof of continued disability and entitlement to *LTD benefits*

What is the benefit waiting period?

If you become *disabled* and your claim for *LTD benefits* is approved by The Standard, *LTD benefits* become payable after the *benefit waiting period*. This is a specified number of days during which you must remain continuously *disabled*. Benefits are not payable during the *benefit waiting period*. The *benefit waiting period* for each plan is indicated below.

	Base LTD Plan	Buy-Up LTD Plan
<i>Benefit Waiting Period</i>	90 Days	90 Days

Are my LTD benefits subject to federal income tax and FICA?

Your *LTD benefit* under the Base LTD plan is subject to taxes. This is because your *employer* is paying the entire cost of the plan. If you choose to enroll into the Buy-up LTD plan, your cost for this coverage is paid with after-tax dollars, and this portion of your benefit will not be subject to taxes. Therefore, only the benefit received under the Base LTD plan is subject to taxes.

What are some of the other features of this coverage?

This LTD coverage has the following features:

- It covers disabilities that occur 24 hours a day, both on and off the job
- It includes an Employee Assistance Program and WorkLife Services to offer support, guidance and resources to help you and your family resolve personal issues¹
- You make premium payments for the Buy-up LTD Plan through payroll deduction
- 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
- While you are *disabled*, you may qualify to participate in a rehabilitation plan that prepares you to return to work. If you qualify, The Standard may pay for return to work expenses you incur, such as job search, training and education and family care expenses
- If you die while *LTD 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 *LTD 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, *LTD benefits* will continue as long as you are eligible to receive them

¹ Provided only for employers with 15 to 2,500 insured employees

What exclusions apply to this coverage?

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

- Your committing or attempting to commit an assault or felony, or your active participation in a violent disorder or riot
- 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)
- The loss of your professional or occupational license or certification
- A *preexisting condition* or the medical or surgical treatment of a *preexisting condition*, unless: (a) with respect to the Base LTD Plan, on the date you become *disabled* you have been continuously insured under the *group policy* for a specified period of time and *actively at work* for at least one full day after the end of the specified period; or (b) with respect to the Buy-up LTD Plan, on the date you become *disabled* you have been continuously insured under the Buy-up LTD Plan for a specified period of time and *actively at work* for at least one full day after the end of the specified period.

What is a preexisting condition?

A *preexisting condition* is a mental or physical condition, whether or not diagnosed or misdiagnosed at any time during a specified period just before your insurance becomes effective:

- For which you or a reasonably prudent person would have consulted a physician or other licensed medical professional; received medical treatment, services or advice; undergone diagnostic procedures, including self-administered procedures; or taken prescribed drugs or medications
- Which, as a result of any medical examination, including routine examination, was discovered or suspected at any time during the specified period just before your coverage became effective

What is the preexisting condition exclusion period?

With respect to the Base LTD Plan, the *preexisting condition* period equals the 90 days just before the date your insurance becomes effective under the *group policy*. With respect to the Buy-up LTD Plan, the *preexisting condition* period equals the 90 days just before the date your insurance becomes effective under the Buy-up LTD Plan. You are not covered for a *disability* caused or contributed to by a *preexisting condition* or medical or surgical treatment of a *preexisting condition* unless:

With respect to the Base LTD Plan, on the date you become *disabled*, you have been continuously insured under the *group policy* for 12 months and have been *actively at work* for at least one full day after that 12 months.

With respect to the Buy-up LTD Plan, on the date you become *disabled*, you have been continuously insured under the Buy-up LTD Plan for 12 months and have been *actively at work* for at least one full day after that 12 months.

If you change your Plan selection from the Base LTD Plan to the Buy-up LTD Plan and benefits are not payable under the Buy-up LTD Plan because of your *preexisting condition* exclusion, your claim will be administered as if you had not changed your Plan selection.

What limitations apply to this coverage?

LTD 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

Payment of LTD benefits is limited in duration to 12 months:

- When your *disability* is caused or contributed to by *mental disorders, substance abuse or other limited conditions*, including but not limited to chronic fatigue conditions, allergy or sensitivity to chemicals or the environment, chronic pain conditions, carpal tunnel or repetitive motion syndrome, temporomandibular joint disorder or craniomandibular joint disorder
- For each period of continuous *disability* while you reside outside of the United States or Canada

When does my insurance coverage end?

LTD insurance automatically ends on the earliest of the following:

- The date the last period ends for which a premium contribution is received
- 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 described in the *group policy*

If your coverage under the Buy-up LTD Plan ends because of your non-payment of the required premium, you will automatically be insured under the Base LTD Plan provided the *group policy* remains in effect and you remain eligible for this coverage.

When does the group policy terminate?

The Standard may terminate the *group policy*:

- For non-payment of required premium
- If the number of employees insured in the Buy-up LTD Plan is less than the required minimum participation
- If The Standard determines your *employer* has failed to promptly furnish requested information or failed to perform any other obligations relating to the *group policy*

How do I apply?

Provided you are an eligible *member* and meet the *active work* requirement, you will be automatically insured under the Base LTD Plan. As an alternative, you may apply for the Buy-up LTD Plan, which requires you to complete the Enrollment Form in your packet, then place it in a confidential envelope and submit it to the Benefits Office.

You may apply for the Buy-up LTD Plan when you become eligible. If you do not apply for coverage under the Buy-up LTD Plan within 31 days after you become eligible, you may apply at any time thereafter, however, you will have to submit *evidence of insurability* and be approved by The Standard to become insured under the Buy-up LTD plan.

Additional questions?

If you have any additional questions, please contact your Benefits Office.

Standard Insurance Company

For more than one hundred years we have been dedicated to our core purpose: to help people achieve financial security so they can confidently pursue their dreams. We have earned a national reputation for quality products and superior service by always striving to do what is right for our customers.

Headquartered in Portland, Oregon, The Standard is a nationally recognized provider offering group Disability, Life, Dental and Vision insurance. We provide insurance to nearly 26,000 groups covering more than 8.7 million employees nationwide.* Our first group policy, written in 1951 and still in force today, stands as a testament to our commitment to building long-term relationships.

To learn more about Group Buy-up Long Term Disability Insurance from The Standard, contact your Benefits Office for Loudoun County or visit us at www.standard.com.

*As of June 30, 2010, based on internal data developed by Standard Insurance Company.



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