

Voluntary Long Term Disability Insurance

For Employees of The City of San José

Answers To Your Questions About Coverage From Standard Insurance Company





About This Booklet

This booklet is designed to answer some common questions about the Voluntary Long Term Disability (LTD) coverage offered by the City of San José to eligible employees. It is not intended to provide a detailed description of the coverage.

If you become insured, a group insurance certificate will be made available to you, containing a detailed description of the insurance coverage including the definitions, exclusions, limitations, reductions and terminating events. The controlling provisions will be 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 Human Resources representative. Please note that defined terms and provisions from the *group policy* are italicized in this booklet.

Voluntary Long Term Disability Insurance 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?

LTD 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.

As a municipality, the City of San José has opted not to participate in California's State Disability Insurance (SDI) program and instead offers this richer plan.

By sponsoring group Voluntary LTD insurance from Standard Insurance Company (The Standard), the City of San José offers you an excellent 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.

LTD-30 Plan vs. LTD-60 Plan

You may select between two plans: the LTD-30 Plan and the LTD-60 Plan. The two plans provide identical benefits, with the following exceptions:

- If you elect coverage under the LTD-30 Plan and you become disabled, benefits begin after 30 days of continuous disability. There is no *preexisting condition* exclusion under this plan, and there is no requirement that you ever participate in a rehabilitation plan.
- If you elect coverage under the LTD-60 Plan and you become disabled, benefits begin after 60 days of continuous disability. You will be subject to a *preexisting condition* exclusion under this plan, and you may be required to participate in a rehabilitation plan if you are able to do so. (Note that if you have been insured under the LTD-30 Plan for one year or more and you switch to the LTD-60 Plan, you will not be subject to the *preexisting condition* exclusion.)





Commonly Asked Questions

Please read this booklet carefully. It summarizes the LTD coverage adopted by the City of San José after extensive research and consideration.

What are some of the 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.
- House confinement is not required.
- Preexisting conditions are covered if you are insured under the LTD-30 plan.
- Premium payments are made with “after-tax” dollars and *LTD benefits* are tax-free under current tax law.
- Premium will be waived during any period for which *LTD benefits* are paid.
- 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 *LTD benefits* are payable, 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.
- *LTD benefits* will be paid for no less than 6 months if you lose a hand or foot or sight of one eye, and *LTD benefits* are paid for no less than 5 years if you suffer two or more of these losses.
- If you die while *LTD benefits* are payable, 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.

Do I need LTD insurance?

If you are not certain that you need LTD coverage, consider if 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 may be greater than you think. Recent statistics have shown:

- More than 25 percent of today’s 20-year-olds will become disabled during their career. (Source: U.S. Social Security Administration, Facts. www.ssa.gov/disabilityfacts/facts.html. Accessed June 2, 2017)
- The top 5 causes of Long Term Disability Claims - 28.6 percent Muscle/bone disorders, 15.1 percent Cancer, 10.3 percent Accidents, 8.7 percent Cardiovascular and 8.3 percent Mental disorders. (Source: Council for Disability Awareness, 2014 Long Term Disability Claims Review)
- Over half of Americans are financially unprepared for a period of disability. 52 percent of adult Americans have no savings earmarked for emergencies. (Source: U.S. Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2016, May 2017)

Note: The City of San José does not participate in the State Disability Insurance program. The long term disability insurance plan described in this brochure is the only option offered to you by the City of San José for the protection of your income in the event of your disability.

To help determine your need for disability income protection, complete the worksheet below. 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? Voluntary LTD insurance from The Standard may be part of the solution.

Monthly Expenses	
Food	\$ _____
Mortgage/rent	_____
Childcare/education	_____
Utilities	_____
(electricity, gas, cable, phone, etc.)	
Clothing	_____
Debts	_____
(credit cards, student & 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 a *member* and eligible for Voluntary LTD insurance coverage, you must be regularly working at least 20 hours each week, a citizen or resident of the U.S. or Canada, and one of the following:

- An active full-time or part-time benefited employee of the City of San José, as defined in the Civil Service Rules
- A reduced work week employee of the City of San José, as defined in the Civil Service Rules
- The mayor or a city council member of the City of San José
- A full-time benefited contract employee of the mayor or a city council member of the City of San José
- A full-time benefited employee of the San José Sports Authority or the San José Arena Authority

You are not eligible for coverage if you are insured under another group LTD policy issued by The Standard, or if you are a temporary employee (other than a full-time temporary classified employee), a seasonal employee, or a full-time member of the armed forces of any country.



When does my insurance go into effect?

The effective date of your coverage depends on when you become an eligible *member*, when you apply and whether you are required to provide *evidence of insurability*.

If you are **not** required to provide *evidence of insurability*, and if you apply for coverage and agree to pay premiums, your Voluntary LTD coverage becomes effective on:

- The date you become a member, if you apply on or before that date; or
- The date you apply, if you apply within 31 days after you become a *member*.

If you are required to provide *evidence of insurability*, and if you apply for coverage and agree to pay premiums, your Voluntary LTD coverage becomes effective on the date The Standard approves your *evidence of insurability*.

In every case, you must meet the *active work* requirement before your insurance becomes effective.

What is the active work requirement?

Active work means performing with reasonable continuity, the *substantial and material acts 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 *member*.

This *active work* requirement also applies to any increase in your benefit amount or decrease in your *benefit waiting period*.

Will I have to provide information regarding my medical history?

If you apply for Voluntary LTD insurance within 31 days of becoming a member and meet the *active work* requirement, you will automatically qualify to become insured.

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

Evidence of insurability is also required to switch your coverage from the LTD-60 Plan to the LTD-30 Plan, and for reinstatement of terminated coverage.

When do LTD benefits become payable?

If you become *disabled* and your claim for *LTD benefits* is approved by The Standard, *LTD benefits* become payable after you have been continuously disabled for the benefit waiting period. *LTD benefits* are not payable during the *benefit waiting period*.

- If you become insured under the **LTD-30 Plan**, your *benefit waiting period* is 30 days.
- If you become insured under the **LTD-60 Plan**, your *benefit waiting period* is 60 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 *substantial and material acts* of your *own occupation* and you are not working in your *own occupation*, or
- You are working in your *own occupation* but as a result of *physical disease, injury, pregnancy or mental disorder* you are unable to earn 80 percent or more of your *predisability earnings*.

The *own occupation period* for the Voluntary LTD coverage is the first 24 months for which *LTD benefits* are paid. You are not disabled merely because your right to perform your *own occupation* is restricted, including a restriction or loss of license.

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 engage with reasonable continuity in *any occupation*, or
- You are working in an occupation but are unable to engage with reasonable continuity in that occupation or *any occupation*.

Any occupation means all occupations or employment which you could reasonably be expected to perform satisfactorily in light of your age, education, training, experience, station in life, and physical and mental capacity and within an appropriate distance from your residence or available in your regional labor market.

How much is the LTD benefit amount?

Your monthly *LTD benefit* is 66 2/3 percent of the first \$15,000 of your *predisability earnings*, plus 40 percent of the next \$12,500 of your *predisability earnings*. Your *LTD benefit* will be reduced by *deductible income*. The plan minimum and maximum *LTD benefit* amounts are indicated below.

Plan maximum monthly LTD benefit	Plan minimum monthly LTD benefit
\$15,000	\$100





How is the LTD benefit amount calculated?

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

For example, if your monthly earnings (or predisability earnings) before becoming *disabled* were \$2,000 and you now receive a monthly Social Security disability benefit of \$600 and \$200 of sick pay, your monthly *LTD benefit* would be calculated as follows:

<i>Insured predisability earnings</i>	\$2,000
<i>LTD benefit percentage</i>	x 66.67%
	\$1,333
Less Social Security disability benefit	- 600
Less sick pay	- 200
<i>Amount of LTD benefit</i>	\$ 533

What are predisability earnings?

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

- Salary
- Holiday in lieu pay
- Shift differential 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

Predisability earnings generally exclude bonuses, commissions, 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 last full day of *active work*. Please contact your Human Resources representative for additional information regarding what is included in *predisability earnings*.

What is deductible income?

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

- Sick pay, executive leave pay, donated compensatory time pay or other salary continuation (but not vacation pay) paid by your *employer*.
- Temporary benefits under any workers' compensation law, or similar law.
- Benefits under a state disability income benefit law or similar law.

- Disability or retirement benefits under the Federal Social Security Act, the Federated City Employees Retirement System, the Police and Fire Department Retirement Plan, or any similar plan (including benefits for your spouse and children). (Cost of living increases will not be considered *deductible income*.)
- Disability benefits from any other group insurance, including LTD coverage purchased through Firefighters Union IAFF Local 873. (Group credit insurance and group mortgage disability insurance benefits are not considered *deductible income*.)
- Disability or retirement benefits under your *employer's* retirement plan, including STRS or a plan arranged by a union or employee association. (PERS disability and retirement benefits are not considered *deductible income*.)
- Earnings from work activity while you are *disabled*
- 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, *LTD benefits* may continue during *disability* until you reach age 65. 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.

When do LTD benefits end?

Age when <i>disability</i> begins	<i>Maximum benefit period</i>
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 above	1 year

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 benefits
- The date your work earnings equal or exceed 80 percent of your *indexed predisability earnings*



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)
- With respect only to employees who are covered under the LTD-60 Plan: 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* and *actively at work* for at least one full day after the end of the *exclusion period*

What is a preexisting condition?

A *preexisting condition* is a mental or physical condition for which you have received medical treatment, care or services or have taken prescribed medication at any time during the 90-day period just before your Voluntary LTD insurance under the *group policy* becomes effective.

What limitations apply to this coverage?

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

- Not receiving appropriate care from a *physician* until maximum point of recovery
- With respect to employees covered under the LTD-60 Plan: 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.

In addition, payment of *LTD benefits* is limited in duration:

- To 24 months in your lifetime if your disability is caused or contributed to by your use of alcohol, alcoholism, use of any drug, or drug addiction.
- To 24 months for each period of disability caused or contributed to by a *mental disorder*.

When does my Voluntary LTD insurance coverage end?

The Voluntary LTD 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*

How much will the Voluntary LTD coverage cost?

If you become insured under the LTD-60 Plan, the premium rate for coverage is \$0.44 per \$100 of insured *predisability earnings*.

If you become insured under the LTD-30 Plan, the premium rate for coverage is \$1.49 per \$100 of insured *predisability earnings*.

To calculate the biweekly payroll deduction for your Voluntary LTD coverage, use the formula indicated below. The amount of your non-pensionable pay increase is included in your *predisability earnings* and should be included in the calculation.

1. Divide your biweekly *predisability earnings* (not to exceed \$12,700) by 100. Line 1: _____
2. Select your rate (based on the Plan you have elected). Line 2: _____
3. Multiply Line 1 by the amount shown on Line 2. Line 3: _____

The amount shown on Line 3 is your estimated biweekly payroll deduction. If you have questions regarding your *predisability earnings*, please contact your Human Resources representative.

How do I apply for Voluntary LTD insurance coverage?

You may apply for coverage under either the LTD-60 Plan or the LTD-30 Plan. The LTD-60 Plan provides a benefit waiting period (the period you must be disabled before benefits become payable) of 60 days. If you elect coverage under the LTD-30 Plan, your benefit waiting period will be 30 days.

Applying for LTD as a New-Hire:

To apply for Voluntary LTD insurance under either plan, log-in to the City of San José's employee self-services system *eWay* to make your election within 31 days of becoming an eligible member.

Applying for LTD more than 31 days from your Date of Hire:

You can apply at any time but remember, if you apply more than 31 days after becoming eligible or if you wish to switch from the LTD-60 Plan to the LTD-30 Plan, satisfactory evidence of insurability is required. If you are required to provide evidence of insurability, visit www.standard.com/mybenefits/sanjose/eeoi.html to submit a medical history statement online, complete the Enrollment Form found on the HR website, place it in a confidential envelope and submit it to your Human Resources department. Coverage subject to evidence of insurability is not effective until approved by The Standard.

What if I have additional questions?

If you have any additional questions, please contact your Human Resources representative.



About Standard Insurance Company

Standard Insurance Company has earned a solid reputation for its quality products, expert resources, superior service, steady growth, innovation and strong financial performance. Founded in 1906, The Standard is a leader in the group disability and life insurance market, while also offering individual disability, group dental and retirement plans for groups and individuals.

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A subsidiary of StanCorp Financial Group, Inc.

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