Group Long Term Disability Insurance

For The State of California Excluded Employees
Answers To Your Questions About Coverage From Standard Insurance Company
About This Booklet

This booklet is designed to answer some common questions about the Group Long Term Disability (LTD) Insurance coverage being offered by the State of California to excluded employees. Written in non-technical language, this is not intended to provide a detailed complete description of the coverage, but rather to give you a better understanding of Group LTD Insurance available from Standard Insurance Company (The Standard). To get a better understanding of typical policy provisions offered by The Standard, refer to the Certificate of Insurance available to you at www.standard.com/mybenefits/california.

If you become insured, a Certificate of Insurance 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 The Standard. Neither the certificate nor the information presented in this booklet modifies the group policy or the insurance in any way.

If you have additional questions, please contact The Standard at 888.641.7193.
What is Group Long Term Disability Insurance?

Chances are you already purchase home, auto and life insurance to protect yourself against the threat of loss. And you 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?

Group 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, helping you to meet your financial commitments in a time of need.

Why Buy Group LTD Insurance Coverage Through My Employer?

Advantages of Group LTD Insurance Coverage

By sponsoring Group LTD Insurance, the State of California is offering its excluded employees the opportunity to purchase coverage and choose between two different benefit options: a 55 percent benefit level or 65 percent benefit level option. Some of the key advantages offered through this plan are:

- **Savings** – Typically, group insurance rates are lower than the rates of individual insurance plans, generally providing you with coverage at a lower cost.

- **Tax Savings** – Because your premium contributions will be paid with after-tax dollars, disability benefits received are federal and state income tax-free!

- **Choice** – At the time you enroll, you decide whether the 55 percent or the 65 percent benefit level better meets your specific needs.

- **Convenience** – With premiums deducted directly from your paycheck, you don’t have to worry about mailing monthly payments.

- **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.

The Need for Group LTD Insurance

You probably think the odds are one in a million that you could ever become disabled. And you might be asking yourself, “Won’t CalPERS, workers’ compensation or Social Security cover me if I become disabled?” Recent statistics show that these assumptions might be too optimistic:

- Less than 5 percent of disabling accidents and illnesses are work related. The other 95 percent are not, meaning workers’ compensation doesn’t cover them. (Council for Disability Awareness, 2013 Long Term Disability Claims Review)

- Only 32 percent of the 2,521,459 applications for disabled-worker benefits were awarded benefits by the Social Security Administration in 2014. Just over two-thirds were initially denied. (2014 Social Security Administration Disabled Worker Beneficiary Statistics)
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.

**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**

- After-tax pay ........................................ $________
- Spouse income ........................................
- Other income ........................................
- **Total Monthly Income** ......................$________

### How Group LTD Insurance Benefits Work

Your monthly benefit is based on the benefit option selected when you enrolled.

#### Benefit percentage

The plan provides two options to choose from:

- 55 percent benefit option replaces up to 55 percent of the first $18,182 of your monthly base salary (predisability earnings)
- 65 percent benefit option replaces up to 65 percent of the first $15,385 of your monthly base salary (predisability earnings)

#### Benefit calculation

Your monthly benefit is determined by multiplying your predisability earnings by the benefit option you select when you enroll. This amount is then reduced by other income you receive or are entitled to receive while benefits are payable. The other income offsets are referred to as deductible income.

### Maximum monthly Group LTD Insurance benefit

The maximum monthly benefit is $10,000.

Note: Prior to January 1, 2011, the maximum monthly benefit was $6,000. After January 1, 2011, a new preexisting condition exclusion will apply to an increase in your maximum benefit to an amount over $6,000. (The new preexisting condition exclusion will apply to you if:
- (a) you are insured under the 55 percent benefit option and your monthly base salary exceeds $10,910, or
- (b) you are insured under the 65 percent benefit option and your monthly base salary exceeds $9,231.)

### Minimum monthly Group LTD Insurance benefit

The minimum benefit is the greater of $100 or 15 percent of your benefit before reduction by deductible income.
What are Other Features of the Group LTD Insurance Coverage?

- **24 hour coverage** for disabilities that occur both on and off the job.
- **Federal and State Income Tax-free benefits** when premium payments are made with “after-tax” dollars under current federal and state income tax laws.
- **Rehabilitation plan** provision that prepares you to return to work, when approved by The Standard and may pay for return to work expenses you incur, such as job search, training and education expenses. While you are participating in an approved rehabilitation plan, your Group LTD Insurance benefit will be increased by 10 percent of your predisability earnings. Your benefit may not exceed the maximum benefit as a result of this increase.

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**Which Option is Best for Me?**

Below is an example that illustrates how the benefit amount is calculated under both benefit percentage options.

**Chris**

Chris is 49, single, and has worked for the state for eight years as an accountant. He made $69,840 a year ($5,820 per month) before an accident resulted in his being disabled from that occupation. His doctor says he will probably be unable to work for two years. Chris’ disability is not severe enough to meet the Social Security definition of disability, but he is receiving a CalPERS disability retirement benefit estimated at $607 per month.

*Chris is a fictional example. His CalPERS benefit is estimated based on current income, age and years of service.*

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### 55% vs. 65% Benefit Level

In this example, Chris’ after-tax pay before becoming disabled is $4,074 (calculated as follows):

<table>
<thead>
<tr>
<th></th>
<th>55% Benefit Example</th>
<th>65% Benefit Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chris’ Monthly Premium</strong></td>
<td>$5.06</td>
<td>$10.06</td>
</tr>
<tr>
<td><strong>Chris’ Predisability Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Base Salary (predisability earnings)</td>
<td>$5,820</td>
<td>$5,820</td>
</tr>
<tr>
<td>Less estimated State &amp; Federal income taxes¹</td>
<td>- 1,746</td>
<td>- 1,746</td>
</tr>
<tr>
<td><strong>After-tax pay prior to disability</strong></td>
<td>$4,074</td>
<td>$4,074</td>
</tr>
<tr>
<td><strong>Chris’ Benefit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit before reduction by deductible income</td>
<td>$3,201</td>
<td>$3,783</td>
</tr>
<tr>
<td>Less Social Security benefit</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less estimated CalPERS disability benefit</td>
<td>- 607</td>
<td>- 607</td>
</tr>
<tr>
<td><strong>Benefit amount</strong></td>
<td>$2,594</td>
<td>$3,176</td>
</tr>
<tr>
<td><strong>Chris’ Income While Disabled</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CalPERS estimated disability retirement benefit</td>
<td>$607</td>
<td>$607</td>
</tr>
<tr>
<td><strong>Benefit amount</strong></td>
<td>+ 2,594</td>
<td>+ 3,176</td>
</tr>
<tr>
<td><strong>Total income while disabled</strong></td>
<td>$3,201</td>
<td>$3,783</td>
</tr>
</tbody>
</table>

¹ Estimated at 30 percent combined State and Federal taxes
• **Monthly adjustment to work earnings for family care expenses** may be allowed when determining deductible income, if the expense is necessary to enable a return to work, up to $250 per family member, subject to a total monthly maximum of $500 provided for up to 24 months of care for:
  - Children age 12 and under who reside in your home.
  - Children age 13 or older, residing in your home, who are handicapped and dependent upon you for support.

- Your spouse, parent, grandparent, sibling, or other close family member residing in your home who is handicapped and dependent upon you for support.

• **Dependent Education Benefit** may be available to disabled employees with eligible student dependents under age 22. It pays $150 each month per eligible student dependent enrolled in higher education, for up to a maximum of 48 months during your lifetime, while benefits are payable to you. This benefit will first be applied to any overpayment of your claim due to The Standard.

• **Survivors Benefit** equal to six times your unreduced Group LTD Insurance benefit may be payable to your survivors if you die while benefits are payable and you have been continuously disabled for at least 180 days. Any survivors benefit payable will first be applied to any overpayment of your claim due to The Standard.

• **Conversion** of coverage may be available to employees whose coverage is ending and who have been insured continuously under the Group LTD Insurance plan for at least one year.

<table>
<thead>
<tr>
<th>Age as of last January 1</th>
<th>55% Benefit Option</th>
<th>65% Benefit Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under age 30</td>
<td>$.00012</td>
<td>$.00026</td>
</tr>
<tr>
<td>30 through 39</td>
<td>.00037</td>
<td>.00073</td>
</tr>
<tr>
<td>40 through 49</td>
<td>.00087</td>
<td>.00173</td>
</tr>
<tr>
<td>50 through 59</td>
<td>.00175</td>
<td>.00347</td>
</tr>
<tr>
<td>60 or over</td>
<td>.00195</td>
<td>.00384</td>
</tr>
</tbody>
</table>
Group Long Term Disability Insurance

To calculate the monthly payroll deduction for your Group LTD Insurance coverage, use the worksheet to the right or the Premium Calculator found at www.standard.com/mybenefits/california.

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**How do I Apply for Coverage?**

When eligible to become insured, you may complete your enrollment online by visiting www.standard.com/mybenefits/california. From there, you will be directed how to enroll online using your unique login and password information.

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**How to Calculate Your Monthly Cost?**

The monthly premium rate factors are indicated in the tables on page 6 for each benefit level option. The applicable factor is based on your age as of the previous January 1 and benefit option you select.

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**Commonly Asked Questions**

**Am I eligible for this coverage?**

To be eligible for Group LTD Insurance coverage, you must be:

- An active, excluded employee who is appointed to a permanent half-time or greater position and is actively at work. Temporary and seasonal employees and full-time members of the armed forces of any country are not eligible,
- A citizen or resident of the United States or Canada, and
- In one of the following classifications:
  - Constitutional Officers (other than legislative members) (E92)
  - Managerial (M, E50, E59, E79, E99)
  - Supervisory (S, E48, E58, E68, E78, E98)
  - Confidential (C, E97)
  - Excluded/Exempt (E88, E89)

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**When does my insurance go into effect?**

You become eligible for Group LTD Insurance on the date you become an eligible employee (member). You have 60 days after you become eligible to enroll in the coverage. If you do not apply within 60 days after becoming eligible, you may apply only during a designated open enrollment period.

Online enrollment applications processed by the 10th of the month will ensure that you have Group LTD Insurance coverage the first day of the following month, as long as you meet the active work requirements. If your online enrollment application is processed after the 10th of the month, your insurance will become effective on the first day of the second calendar month following the date you apply, as long as you meet the active work requirements.

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**When Group LTD Insurance benefits become payable**

If your claim for benefits is approved by The Standard, benefits become payable after a six-month benefit waiting period during which you are continuously disabled. Benefits are not payable during this benefit waiting period.

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2 Actively at work means performing with reasonable continuity the substantial and material acts of your own occupation with the State of California.

3 The active work requirement requires that you be capable of actively working on the day before the scheduled effective date of your insurance or your insurance will not become effective until the day after you complete one day of active work as an eligible employee.
What will reduce my Group LTD Insurance benefit?
Your monthly benefit may be reduced by other income (deductible income).

Deductible income includes but is not limited to the following:

- Sick pay, severance pay or other forms of salary continuation including donated amounts paid by your employer.
- Amounts you receive or are entitled to receive under any workers’ compensation law (other than California Workers’ Compensation benefits for permanent total and permanent partial disability) or any similar law.
- Social Security retirement benefits you receive.
- Social Security disability benefits, you, your spouse or children receive or are entitled to receive because of your disability.
- Disability benefits from any other group insurance that exceed 80 percent of your indexed predisability earnings when added to your benefit.
- Any retirement benefits received under an employer retirement plan such as CalPERS or STRS.
- Any disability benefits you receive or are entitled to receive under an employer retirement plan, such as CalPERS or STRS.
- Benefits you receive or are entitled to receive under any state disability income benefit law or similar law.
- Earnings from work activity while disabled.
- Amounts of third party liability payments received by judgment, settlement or other method (less attorney’s fees).
- 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?
The maximum benefit period means the longest period for which Group LTD Insurance benefits may be payable for any one period of continuous disability. If you become disabled before age 62, Group LTD Insurance benefits may continue while you are disabled until the longer of age 65, your Social Security Normal Retirement Age (or SSNRA), or three years and six months. If you become disabled at age 62 or older, the maximum benefit period is determined by your age when disability begins. The schedule ranges between your SSNRA, three years and six months, and one year, depending on your age at disability. Persons disabled at age 69 and older will not receive benefits for more than one year.
When do Group LTD Insurance benefits end?
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 Group LTD Insurance 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 war, your committing or attempting to commit an assault or felony, your active participation in a violent disorder or riot, an intentionally self-inflicted injury or a preexisting condition.

What is a preexisting condition?
A preexisting condition is a diagnosed mental or physical condition for which you received medical treatment, care or services, or have taken prescribed medication at any time during the 365-day period just before your insurance becomes effective.

The preexisting condition exclusion will no longer apply once you have been insured under the Group LTD Insurance plan for 24 months and have been actively at work for at least one full day after those 24 months.

Note: If you become insured with the 55 percent benefit and later elect to change your coverage to the 65 percent benefit, the increase in coverage will be subject to a new preexisting condition exclusion. If you subsequently become disabled and benefits are not payable at 65 percent due to the new preexisting condition exclusion, your claim will be administered as if you had not changed benefit options.

What limitations apply to this coverage?
Group LTD Insurance benefits are not payable for any period when you are:

• Not receiving appropriate care from a physician until the maximum point of recovery.
• 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 Group LTD Insurance benefits is limited in duration to 24 months in your lifetime if your disability is caused or contributed to by mental disorders, musculoskeletal or connective tissue disorders, chronic fatigue conditions or chemical or environmental sensitivities.

When does my Group LTD Insurance coverage end?
The Group LTD Insurance ends automatically on the earliest of the following:

• The date the last period ends for which you make a premium contribution.
• The date your employment terminates.
• The date you cease to be an eligible employee; however, insurance may continue for limited periods under certain circumstances as described in the group policy.
• The date the group policy terminates.

What if I have additional questions?
If you have additional questions or for more information, please contact The Standard’s customer service line at 888.641.7193.

You may also access information at www.standard.com/mybenefits/california.
Your employer has chosen Standard Insurance Company to provide Group LTD Insurance coverage to eligible employees. The Standard has earned a solid reputation for quality products, superior customer service, expert resources, steady growth, innovation and strong financial performance. Founded in 1906, The Standard has developed a national presence in the employee benefits industry, providing customers with group and individual disability insurance and retirement plans, and group life and dental insurance.

Just as others count on you, you can count on The Standard for Group LTD Insurance in a time of need. Contact your personnel office for more information about Group LTD Insurance from The Standard.