news from cuasa

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IMPORTANT

PROPOSED IMPROVEMENTS TO LONG TERM DISABILITY INSURANCE (LTDI) PLAN

M.F. Fox, Staff Welfare Chairman

It has become evident to many CUASA members that the present Long Term Disability Insurance (LTDI) Plan, that provides income in case of inability to work because of severe sickness or accident, is utterly inadequate to faculty needs. The plan currently provides a benefit of 65% of nominal salary to a maximum of $14,014 per annum ($1,170 per month). Given the average CUASA salary, this means that only those members earning $21,600 or less are eligible for the full benefit; anyone earning $30,000, for example, would have to make do with 47% of salary if he or she should be unable to continue in employment. Moreover, under the present plan, benefits are frozen to the salary level at the time of disablement, because there is no indexation. The benefit provided by the plan may be augmented by Canada Pension Plan disability benefits, if the individual is qualified; however, since these are on a flat-rate basis, they are worth little in percentage terms to the majority of CUASA members.

The CUASA Staff Welfare and Benefits Committee is proposing that the LTDI Plan be altered to provide the same benefits to faculty as those enjoyed by non-union administrators. The new scheme, described below, will be discussed and voted upon at the next meeting of the CUASA Council. Because adoption of the new plan would involve additional costs to individual members, the committee is informing you of the details and urging you to make your views known to your Departmental Council Representative before November 21, 1980.

BENEFITS UNDER THE PROPOSED PLAN

The proposed plan would provide in the first year of disability a benefit of 75% of gross monthly salary to a maximum monthly benefit of $2,500. Maximum insurable earnings would, therefore, be $40,000 per annum. The proposed scheme is integrated with CPP disability benefits for employee and spouse (so-called CPP "primary benefits"). This means that if an individual qualifies for CPP primary benefits, the total benefit received would remain at 75% of gross monthly salary, and the insurance company's payment would be reduced by the amount of the CPP primary benefit. Secondary CPP benefits (for dependent children) are additional to the 75% basic benefit, however.

An indexing scheme forms part of the proposed revision of the LTDI Plan, with the basic benefit from the insurance company being increased by 3% per annum. The CPP benefits are, and it is hoped will remain, tied to the consumer price index.

THE COST OF THE PROPOSED PLAN

The proposed improvements in the plan would require increased premiums. Currently, the employer pays premiums on behalf of each member at a rate of 49¢ per $100 of gross monthly salary to the maximum gross monthly salary of $1,800. Premiums for the revised plan would be 70¢ per $100 of gross monthly salary to a maximum gross monthly salary of $3,333.33.

Our current Collective Agreement requires that increased premiums are paid by the employee. The fairest way of apportioning the premium increases that would result from adoption of the new plan is according to an individual's salary (and benefit) level, which is the method used by the underwriter for calculating the premiums.

...(OVER)...

The following are examples of approximate premium increases:

ANNUAL SALARY	CURRENT MONTHLY PREMIUM PAID ON MEMBER'S BEHALF	NEW MONTHLY PREMIUM	APPROXIMATE MONTHLY PREMIUM INCREASE PAYABLE BY MEMBER
21,600	8.82	12.60	3.78
30,000	8.82	17.50	8.68
40,000	8.82	23.33	14.51

Thus, the employer would continue to pay current premiums on our behalf. We would simply add to that premium to secure the improved benefits.

TAXABILITY OF LTDI BENEFITS

If employees pay 100% of their own LTDI premium, LTDI benefits are non-taxable. However, no insurance company will underwrite the proposed plan in the knowledge that the benefit would be non-taxable. At the proposed benefit level of 75% of salary, non-taxable benefits would exceed take-home pay, hardly a situation that, in the insurance company's eyes, would encourage the employee to return to work.

In the quest for non-taxable benefits the next logical step would be to consider paying our own premiums on a reduced benefit level which an insurance company might be willing to underwrite. The reduced liability for the insurance company would result in lower premiums, a move which would seem desirable. However, employees would be paying their LTDI premiums in already taxed dollars, which is tantamount to paying a higher premium.

To secure maximum tax benefits the premiums should be paid either wholly by the employer, in which case LTDI premiums are non-taxable, or wholly by the employee, in which case the actual benefits are not taxed. If the new package is adopted, the less-than-ideal cost-sharing of premiums would have to be borne until at least the next round of contract negotiations.

MEMBERS EARNING SALARIES BELOW $21,600

There is less incentive for members on lower salaries to go over to the proposed scheme than those on higher salaries. This is because any CPP benefits that might be received would form a higher proportion of a lower paid member's benefits than those of a more highly paid member, to the extent that if a person with an annual salary of $17,000 qualified for CPP benefits he/she would receive higher total disability benefits under the current plan than under the proposed plan. However, the CPP benefit is not automatic upon receipt of a benefit from the insurance company.

Members earning less than $21,600 could either:

(a) be given the option on an individual basis of either joining the new plan, or remaining with the current plan; or

(b) be automatically excluded as a group from the new plan (as is the case with non-union members of the University).

(This is a feature that was not part of the package sent to Council members. Members' reactions to (a) and (b) above are sought).

Finally, it is worth noting that above the salary of $21,600, the plan has been costed on the basis of full participation and, therefore, if the plan is adopted, membership would be obligatory. Please provide your Council Representative with your views.