

CTY - Long Term Disability Plan Q & A

- 1) How will employees being bounced back and forth from Cndr to Engr be handled?
Wherever the member is set up on the 1st of the month will determine whether he will be under the LE Plan or the CTY Plan. We are currently working on establishing specific rules for this process.
- 2) Employees who already have LTD thru a private provider will they be required to join?
Yes. Group LTD Plans are not optional/voluntary but rather mandatory participation
- 3) What will the rate of deduction be from my pay?
1.47% of gross payroll on a bi-weekly basis.
- 4) What is the time schedule for collecting benefits?
When the Plan is set-up all Members actively working on the effective date of coverage will be covered. All members must exhaust their WIB and the qualifying disability period starts when the member first becomes totally disabled and ends after 41 weeks.
- 5) What percent of the vote will be required to implement the LTD?
A majority of membership ballots voting in favour will be required.
- 6) How will excess funds be handled?
If there is a surplus, the funds will be invested and can be used to improve the LTD benefit coverage; offset any rate increases; reimburse members of their 41 weeks of LTD premium deductions at retirement.
- 7) Could this plan ever be combined with the Engr LTD plan at any point?
There could be a possibility of combining the two plans in the future, but not for at least 3 years from the date the LTD plan is implemented.
- 8) What if I do not want to join at this point in my career but am in favor of the LTD plan?
All members must join the LTD Plan.
- 9) How long can you collect benefits for?
The LTD benefit is payable up to the earlier of: recovery; the end of the month in which the member turns age 65; retirement; or death whichever comes first.
- 10) What happens when I get laid off (recalled)?
In the event of a temporary lay-off, coverage will be continued for a period of up to 12 months if the member prepays contributions (premiums) within 30 days of the date such lay-off begins. If the member becomes totally disabled during the lay-off period, LTD benefits will commence following 41 weeks from the original scheduled return to work date

If a member does not continue coverage, when the member is recalled, coverage will be reinstated on the date of return to work if the lay-off period was less than 6 months. If greater, than 6 months, a waiting period of 60 days will apply before coverage is reinstated.

11) Will there be any medical tests prior to implementation?

No. The Group LTD Plan is not medically underwritten and all members actively working on the first day the LTD plan is effective will be covered.

12) What will the startup costs associated with the implementation be?

**The initial Trust Fund Set-Up Fees would be approximately \$17,000 which will include:
Trust Document;
Trust Fund Stationary Supplies;
Fiduciary Liability and Bond Insurance**

These expenses will be paid through surplus funds from the LTD Plan.

13) Will there be a process in place if someone is found or thought to be abusing the LTD plan?

All allegations are taken very seriously and will be investigated.

14) Will the company have anything to do with this plan?

No. The only involvement the Employer will have will be the premium contribution deduction from the members' earnings.

15) Why does the union feel we need to have this plan in place?

LTD is designed to give members wage security should they suffer an absence from work due to unfortunate circumstances as an illness or accident. The Plan will provide 24-hour coverage and will ensure that the member has a wage to support himself and his family to retirement. Currently CTY members have WIB coverage for 41 weeks. Following 41 weeks, if the member does not have a 'private LTD plan', there is no other income for the member.

Many members realize the value of the LTD Plan and when they are set up as a LE on the first of the month and are covered under the LE LTD Plan, they will opt to continue to be covered under the LE LTD Plan when they are set back.

16) Will this money be taxable?

Members pay the full cost of the LTD premium, therefore, the LTD benefit is non-taxable to the disabled member.

17) Who will I contact if I have any concerns problems while on LTD? Will there be someone in my terminal that will be able to answer questions about LTD?

A Plan Administrator will be retained who will manage the LTD Plan, as well, there will be a Board of Trustees who will oversee the LTD Plan and work closely with the Plan Administrator. Members will be encouraged to reach out to their Trustee or Plan Administrator with any concerns.

18) Is there a term? Will the members have an opportunity to vote again in e.g. four years from now? What percentage of income is paid? Is there a dollar limit? How is it coordinated with other plans? (e.g. other benefits you, your spouse or your dependent children could receive)?

There is no term for the LTD Plan. The Plan can be terminated with 30 days' notice.

The LTD benefit amount will be 50% of gross monthly earnings to a maximum monthly benefit of \$4,500.00 (non-taxable). Earnings will be based on the member's average monthly earnings over the 26 full pay period preceding the date of disability.

The amount of the LTD monthly benefit will be directly reduced by the total of the following amounts, if any, payable for the same period of total disability:

- 92.5% of any disability benefits to which the member is entitled under the Canada/Quebec Pension Disability Plan (this does not apply to any Child benefit the member may be entitled);
- 92.5% of any disability benefits to which the member is entitled under the CPR Disability Pension Plan

In addition, LTD benefits will be reduced by the total of the benefits payable from the following sources that exceed 85% of the member's take-home pay:

- Income replacement benefits commencing on or after the date the member becomes totally disabled and which are payable either periodically or in a lump sum under any Workers' Compensation Act or similar law;
- Loss of income benefits available through legislation to which the member is entitled on the basis of his disability (i.e. Automobile insurance benefits where permitted by law);
- Disability benefits under another 'group' plan;
- Any wage, salary or other payments from the Employer

- 19) When do benefits begin? is the waiting period for accidents different than illness? Is there a new waiting period for a recurrent disability (i.e. when you go back to work and there is a relapse within a certain amount of time)?

LTD benefits will commence following 41 weeks of total disability regardless of the nature of the disability whether accident or illness.

If a disability recurs and it is due to the same or related causes, it will be considered as one continuous disability and will not be subject to the 'waiting/qualifying' period (41 weeks) unless the member returned too active, full-time employment for a period of six consecutive months or longer.

- 20) Are there any limitations or exclusions? (such as a pre-existing condition clause that may limit or exclude benefits for any conditions you had before the effective date of your insurance).

All Group LTD Plans have a pre-existing condition clause which is defined as:

If a member received treatment for a condition within 6 months prior to being covered under the plan, then there will be no coverage for the condition until the member has been insured and actively at work for 12 months.

This provision is waived for all members actively at work on the effective date of the LTD Plan.

- 21) How long do benefits run? Are they taxable? Are they indexed for inflation?

The LTD benefit is payable up to the earlier of: recovery; the end of the month in which the member turns age 65; retirement; or death whichever comes first;

LTD benefits are non-taxable to the disabled member;

LTD benefits are not indexed for inflation

22) How is 'disability' defined in the plan?

Total Disability means that because of accidental injury or sickness there is no combination of duties that the member can perform that regularly takes at least 60% of the duties at work to complete;

Exception:

If a member is not considered totally disabled on the basis of the duties he regularly performed for the employer before disability started, but the member is unfit to return to work according to the Railway Safety Act, the member will be considered disabled and benefits can be approved/continued for a period of 12 months from the date of LTD benefits eligibility under the Railway Safety Act provision of the Plan. This exception was put in by the Locomotive Engineers and will be included in the CTY LTD.

After the member has received LTD benefits for a period of 24 months, not able to engage in any and every gainful occupation for which the member is reasonably fit by education, training or experience and provides an income of at least 70% of the member's pre-disability earnings.

23) Is there a waiver of premium to cover your insurance premiums while you are disabled? When does it begin? Does it refund premiums you paid after becoming injured or sick?

Waiver of premium begins from the 1st day the member is absent due to a disability.

24) Under what circumstances can the plan be cancelled?

The (entire) LTD Plan can be cancelled under any circumstances with 30 days' notice.

25) Are benefits reduced as you grow older?

LTD benefits may be reduced if the member is entitled to and receives a disability pension from CPP/QPP and/or CPR disability pension.

26) Will you be covered during a strike or leave of absence?

In the event of strike, the insurance coverage will be continued for a period of up to 2 months during the period of the strike when premium contributions are paid within 30 days of the strike date, if no premium contributions are paid, coverage will be suspended from the date of the strike

In the event of an approved leave of absence, coverage will be continued for a period of up to 12 months if the member prepays contributions (premiums) within 30 days of the date such leave of absence begins. If a member does not continue coverage, when the member returns to work, coverage will be reinstated on the date of return to work if the leave of absence period was less than 6 months. If greater, than 6 months, a waiting period of 60 days will apply before coverage is reinstated

If the member becomes totally disabled during the leave of absence period, LTD benefits will commence following 41 weeks from the original scheduled return to work date.

27) How long will the plan remain in place?

The LTD Plan will remain in place as long as premiums are paid.

28) Is it an insured plan or an Administrative Services Only arrangement?

By law, a LTD Plan cannot be underwritten on an Administrative Services Only arrangement due to the financial risk.

The LTD Plan will be underwritten on an insured basis through Retention or Refund Accounting.

Under this type of funding, the insurance company carries forward any deficits or surpluses and all monies are accounted for in the financial accounting. If the plan has a deficit, then it is normal to negotiate a "deficit recovery" formula (e.g. payable over 2 to 3 years by a surcharge being added to the premium rates) by the insurer. When a surplus is generated it normally goes to a Claims Fluctuation Reserve (CFR) to help smooth out premium adjustments in future years. Once a CFR is fully funded (e.g. 25% of annualized LTD premium), any additional surplus could be paid out to the client (Plan Sponsor) and invested.

29) Is the price schedule guaranteed? If not, how much could the cost increase?

The premium rate of 1.47% is guaranteed for the first 36 months of the LTD Plan effective date, thereafter, the LTD Plan will renew on an annual basis.

The premium rate is adjusted annually (following the first 36 months) based on the Plan usage and demographics of the Plan participants (as plan members age, the risk becomes greater).

30) With members' deductions at 1.47% of gross pay on a bi-weekly basis, is there a maximum contribution per month that any member can be deducted?

There is no maximum contribution per month. The deduction will be based on the member's bi-weekly gross earnings. The LTD benefit amount is 50% of the member's gross earnings to a maximum of \$6,000 (a member receiving the maximum benefit would have to earn annual gross earnings of \$144,000). In order to ensure that the member's LTD benefit is in line with his gross earnings, we average the member's gross earnings by his last 26 pay periods prior to his date of disability.

Example:

Average Gross Annual Earnings:	\$70,000
Average Gross Monthly Earnings:	\$5,833
LTD Annual Premium Contribution (1.47%):	\$1,029 (\$39.58 bi-weekly deduction)
LTD Monthly Benefit (50%):	\$2,917

Average Gross Annual Earnings:	\$90,000
Average Gross Monthly Earnings:	\$7,500
LTD Annual Premium Contribution (1.47%):	\$1,323 (\$50.89 bi-weekly deduction)
LTD Monthly Benefit (50%):	\$3,750

31) If member is collecting Weekly Indemnity Benefits are they deducted the LTD off this benefit?

When a member becomes disabled, LTD premiums are waived and the member is not required to pay (or be deducted) LTD premiums.

