



Missouri State Employees' Retirement System

Mailing Address  
PO Box 20  
Jefferson City, MO 65102-0209

Shipping Address  
907 Wildwood Driv  
Jefferson City, MO 6510

MEMORANDUM

TO: Human Resources  
FROM: Scott Simon  
SUBJECT: Life and Long-Term Disability (LTD) Insurance Plans  
DATE: May 1, 2005

MOSERS life and long-term disability insurance programs will be changing effective July 1, 2005. These adjustments are intended to bring each contract more in line with what are considered industry standards and to reduce the cost of each plan. These changes will be applied to events that occur on or after July 1, 2005. Events occurring prior to that time will continue to be treated under the current plan design. The cost savings for these plans were distributed in a previous memorandum. The following summarizes the changes that will take place.

**Life Insurance**

Our current life contract includes a waiver of premium feature for those individuals meeting a specific definition of disability. This waiver allows a qualifying disabled person to continue their life insurance coverage at no cost. This obligation is terminal; meaning, a person may receive a waiver of premium until death assuming they remain disabled. Although this feature is quite generous, it does not coincide with the intent of our long-term disability plan. That intent is to bridge the gap from the date of disability to retirement. Clearly our current provisions go beyond that period. Starting in July, a person that qualifies for a waiver of premium on their life insurance will have that benefit end upon retirement. At that time, they may continue their coverage by paying for it, like all other retirees. Basic life rates will be reduced by 3%, which will result in savings of approximately \$150,000 annually. Optional rates would be changed according to the table below:

Age	Current rate	New rate
< 35	.08	.08
35-39	.12	.12
40-44	.18	.18
45-49	.30	.28
50-54	.50	.48
55-59	.86	.84
60-64	1.34	1.32
65-69	2.28	2.20
70+	4.00	3.88

It is estimated these reductions will save our members approximately \$250,000 annually.

Phone: (573) 632 - 6100 • (800) 827 - 1063  
MO Relay: (800) 735 - 2466 (Voice) • (800) 735 - 2966 (TDD)  
E-mail: mosers@mosers.org • Web site: www.mosers.org

**Long-Term Disability**

The contract we have in place today is referred to as a “series 90” model. “Contract 2000” is a more modern version that includes updated provisions that allow for better management of long-term disability claims. This contract was developed with the thought that most people want to return to work; therefore, it provides the mechanisms that allow the carrier to work with individuals to get them back to work. As a result of these changes, rates for this coverage will decrease approximately 3%. The following table reflects the effected provisions and how they work in our current plan (Series 90) along with the updated design (Contract 2000).

Topic	Series 90	Contract 2000 – effective July 1, 2005
Own occupation definition of disability	You are unable to perform with reasonable continuity the material duties of your own occupation.	You are unable to perform with reasonable continuity the material duties of your own occupation <b>and</b> you suffer a loss of at least 20% of indexed pre-disability earnings when working in your own occupation. The earnings loss minimizes the subjectivity applied in determining eligibility.
Any occupation definition of disability	You are unable to perform with reasonable continuity the material duties of any gainful occupation for which you are reasonably fitted by education, training, and experience.	You are unable to assume any occupation or employment 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% of your indexed pre-disability earnings within twelve months following your return to work, regardless of whether you are working in that or any other occupation. Again, the earnings loss of 40% minimizes the subjectivity applied to determining eligibility.
Partial disability	When you work in your own occupation but, as a result of physical disease, injury, pregnancy, or mental disorder, you are unable to earn 80% or more of indexed pre-disability earnings.	There is not a specific definition of partial disability; however, claimants may work and still be considered disabled. Essentially, the own and any occupation definitions allow for partial disability as long as the applicable earnings loss is recognized. Up to 100% of pay may be received between earnings and the disability payment. (There is really no difference between this and our current plan.)
Return to work responsibility	Not included in current contract.	During the applicable own occupation and any occupation period, no benefits will be payable for any period when you are able to work in the respective own/any occupation period, but you elect not to work. In other words, if claimant is able yet does not accept available employment, benefits end.

<p>Work earnings definition</p>	<p>Your gross monthly earnings from work you perform while disabled...including earnings from your employer, any other employers, or self-employment.</p>	<p>Same as current contract plus the earnings you could receive if you worked as much as you are able to, considering your disability, in work that is reasonably available including earnings from your employer, any other employer, or self-employment, and any sick pay, vacation pay, annual, or personal leave pay or other salary continuation earned or accrued while working. The primary difference in this contract is that it encourages able claimants to work. It also would mean that annual leave or share leave payouts would be deducted from their benefit.</p>
<p>Preexisting condition</p>	<p>Means a mental or physical condition for which you have done any of the following...at any time during the preexisting condition period.</p>	<p>Means a mental or physical condition whether or not diagnosed or misdiagnosed for which you have done or for which a reasonably <b>prudent person</b> would have done any of the following...at any time during the period just before the date your insurance becomes effective. In other words, a person with obvious symptoms that refrains from going to the doctor during the preexisting period would be declined benefits.</p>
<p>Loss of license or Certification exclusion</p>	<p>No exclusion in current contract.</p>	<p>You are not covered for a disability caused or contributed to by the loss of your professional license, occupational license, or certification.</p>
<p>Foreign residency limitation</p>	<p>No exclusion in current contract.</p>	<p>Payment of benefits is limited to 12 months for each period of continuous disability while you reside outside of the United States or Canada. Those claimants residing outside of these two countries are nearly impossible to maintain in terms of medical records to substantiate their continuing disability.</p>
<p>Reasonable accommodation expense</p>	<p>The Standard will pay up to \$500.</p>	<p>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 for expenses up to \$25,000.</p>

These changes will have little, if any, impact on your role as an HR contact. In fact, these changes will have very little impact on any of us as administrators. The primary burden will be placed on The Standard as our long-term disability insurance provider. Updated handbooks will be distributed in June.

On a related note, the Personnel Advisory Board (PAB) recently approved an update to a rule applicable to long-term disability. The update, which will take effect later this spring, allows employers more

May 1, 2005

Page 4

flexibility for individuals that are affected by long-term or partial disability claims. Below is a more specific reference to this update:

**1 CSR 20-3.070(6)(C) Resignations/LTD**

The purpose of this revision is to provide appointing authorities some flexibility in retaining employees who are approved for long-term disability or partial disability. Paragraph (C)1. of the revision allows the appointing authority to approve a leave of absence for the employee returning to work in the foreseeable future. Paragraph (C)2. provides that employees who are approved for partial disability may continue to work part-time when such work schedule can be accommodated by the appointing authority.

Should you have any further questions on these or other matters related to MOSERS benefits, please contact a benefit counselor.