

Disability Insurance

Voluntary Supplemental Benefits



What is Disability Insurance?

Disability insurance protects your most valuable financial asset—your ability to work and earn an income. It insures that if you are not able to work due to an injury or illness, you will still have an income source. It protects you, your family and your future from suffering financial disaster if an unexpected illness or injury occurs.

Why Buy Disability Insurance?

Consider these statistics:

- Today's 20-year-old has a 3 in 10 chance of becoming disabled before retirement age.
- Nearly 1 in 7 working age people will be disabled for 5 years or more prior to age 65—that number increases to nearly 1 in 5 for ages 35 to 65.
- Over 36 million Americans are classified as disabled and 50% of them are in their working years.

Many people assume other sources of income will be sufficient to cover their everyday living expenses if a disability occurs. But unfortunately, this isn't always the case. Consider these facts:

- **Workers' Compensation** benefits only pay for disabilities that are a result of on-the-job accidents or work-related illnesses. Because 95% of injuries happen off the job, Workers' Compensation coverage leaves you unprotected a great deal of the time.
- **Social Security** disability is only available if you have enough Social Security credits. Generally, you need 40 credits and 20 must have been earned in the last 10 years. Since the State and other participating employers do not participate in Social Security, if you have worked exclusively for the State or a participating employer for more than 10 years, you will not be eligible for a Social Security disability. If you do have Social Security credits, Social Security replaces a portion of your income only if you meet its definition of disability and qualify for benefits. Your age, education, and work experience are taken into account, and your long-term prognosis must be permanent disability.
- **Your personal savings and** other assets such as paid leave, SBS Annuity or Deferred Compensation could be depleted quickly if you had to rely on that money to pay monthly bills. The money you had put aside for the future or for another use would be gone.

Retirement benefits

may be available if you are in the PERS or TRS defined benefit retirement plan (PERS Tiers I-III or TRS Tiers I-II) and you are vested. (If you are injured on the job, you need not be vested). You must either be normal retirement age or be totally, permanently disabled from your occupation to receive these benefits. Your retirement benefit is based on your salary and years of service so you may need additional funds to cover your monthly expenses. **Note:** Defined contribution plan members, PERS Tier IV and TRS Tier III, have coverage **only for occupational, on-the-job injuries or illnesses.**

Purchasing Disability Insurance

Many people think disability insurance is expensive, but it's cheaper than you think. Remember, all premiums are pre-tax, making the impact on your take home pay less than the actual premium. And the real question is can you afford not to have disability insurance? To decide, you should review your financial commitments and assets you can use to meet them in the event of a disability. Then take a look at the disability plans offered—both short-term and long-term disability plans are available. You can take either or both to fully protect yourself against an extended disability.

Disability insurance pays benefits if you are totally disabled. Total disability means that you are unable to work at any reasonable occupation and under the care of the physician.

By replacing a portion of your income while you're disabled, you're protected against the losses that can occur when your paycheck stops. It is comprehensive—covering you both on and off the job.

Short-Term Disability

Short-term disability (STD) protects you in the event of a brief absence from work. It can also fill in the waiting (elimination) period before long-term disability benefits begin.

STD benefits can begin after you've been disabled and off work for 30 days. If you are still in pay status from accrued or donated leave at that time, benefits begin after you exhaust all paid leave. STD pays 60% of your base salary up to a maximum of \$2,500 per month, less other income (see below). Benefits continue as long as you are disabled, for up to 180 days from the date of disability.

Long-Term Disability

Long-term disability (LTD) protects you in the event of an extended disability. Benefits begin after you've been disabled and off work for at least 180 days. Benefits continue for as long as you remain disabled—up to age 65 if you are disabled before age 60 or for up to 4-½ years if you are disabled after age 60. You may elect a plan that covers either 50% or 70% of your salary, less other income (see below).

How LTD Benefits Are Calculated

Benefits are based on your monthly base wage. Your wage is updated as of April 1 for the benefit year that begins July 1. If you are disabled, benefits are calculated at 50% or 70% of your base wage, depending on the plan you select. The maximum monthly benefit is \$8,000. Some other types of income (see below) are deducted from this amount before your benefits are paid. If other income reduces your benefit to less than \$100, the plan will pay the minimum \$100 monthly benefit.

Other Income

The disability plans pay benefits after deducting other income benefits as shown below:

- Retirement benefits required by law, such as PERS or TRS
- Social Security disability benefits
- Workers' Compensation
- Maintenance and Cure

Other income that is not deducted from the disability benefit includes:

- Retirement benefits that began prior to your State employment
- SBS Annuity payments
- Deferred Compensation

When you consider whether to purchase disability insurance, you must first consider the benefit you would receive. If you have other income, you should review the example below. And then ask yourself, could you live on your retirement, savings, or other assets alone?

Example

Monthly Base Wage:	\$4,000
Plan C Selected:	x 70%
	= \$2,800 (Maximum Monthly Benefit)
Retirement Benefit:	-1,000
	= \$1,800 (LTD Benefit Payable)

In this example, you would receive an extra \$1,800 per month from the disability plan after your retirement benefit was taken into account.

Open enrollment is the perfect time to review what other income you have available. Information on the benefits you have available from retirement, Deferred Compensation, and SBS Annuity can be found by logging into your account at alaska.gov/drb.

Pre-Existing Exclusion

The disability plans don't pay benefits if you are disabled in the first 24 months of coverage if it is caused by a pre-existing condition which occurred in the 12 months before your coverage started. You have a pre-existing condition if:

- You received medical treatment, consultation, care or services including diagnostic testing or took prescribed drugs or medicines; or
- You had symptoms for which an ordinarily prudent person would have consulted a health care provider.

For example, if you select coverage during the open enrollment period in November 2015, your coverage is effective January 1, 2016 (assuming you are in pay status and the premium is paid for January). If you took medication at any time between January 1, 2014 and December 30, 2015, you have a pre-existing condition. If that condition causes you to become disabled between January 1, 2016 and December 30, 2016, no benefits are payable. But if a different new condition disables you or if your disability begins after December 30, 2016, the disability benefits would be available.

Exclusions

The disability plans don't pay benefits for a disability that results from:

- War, declared or undeclared, or any act of war
- Active participation in a riot
- Intentionally self-inflicted injuries
- Loss of professional license, occupational licenses or certification
- Commission of a crime for which you have been convicted under state or federal law
- Any period of disability during which you are incarcerated

This information is intended as a summary of the benefits provided. For complete information, please refer to your Voluntary Supplemental Benefits or Select Benefits Information booklet or alaska.gov/drb. And if you have questions, please contact the Division at (907) 465-4460 or by email.

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