

HRCR 1

Office of the President
June 13, 2006

Members, Board of Trustees:

AMENDMENT TO LONG-TERM DISABILITY PLAN

Recommendation: that the Board of Trustees approve changes to the University of Kentucky Long-Term Disability (LTD) Plan, including the Employee Benefits Trust Agreement, Supplemental Long-Term Disability Plan, and the Long-Term Disability Plan documents, AR II-1.1-12 (Family Medical Leave) and Human Resources Policy & Procedures 94.0 (Health Credit) and 95.0 (Long-Term Total Disability Program). Current LTD participants are grandfathered into the current plan. The effective date of this change is October 1, 2006.

In addition, to conform with the recommended changes, it is recommended that Governing Regulation (GR X) be received for preliminary consideration and at the next regular meeting of the Board of Trustees be included on the agenda for action.

Background: The University of Kentucky Long-Term Disability (LTD) Plan is self-funded and provides income benefits and retirement contributions. Based on market surveys of benchmark institutions, the structure of the Plan is unnecessarily rich for an employer-sponsored LTD Plan. The liability of this Plan is offset by a Trust established by the Board of Trustees in 1981 with Second National Bank, now National City Bank, serving as Trustee. Major proposed changes are as follows:

- A. **Income Benefit** – The current salary-based income benefit exceeds industry standard. The revised income benefit level will equal 100% of salary at the onset of disability for the first six months and 60% thereafter for the duration of eligibility.
- B. **Retirement Benefit** – The current retirement benefit equals 15% of salary at the onset of the disabling condition. The revised retirement benefit will be equal to the 10% of salary at the onset of the disabling condition. This benefit level still meets or exceeds industry standards when coupled with income benefit and health plan access.
- C. **Health Credit** – Limited to 29 months or until eligibility is attained for Medicare Parts A and B.

The amended LTD benefits will continue to exceed industry standards, but reduce the associated liability. The savings will be redirected toward funding retiree health benefits. A brief summary of the recommended changes to each required document follows. Copies of the amended documents are available upon request.

University of Kentucky Long-Term Disability Employee Benefits Trust Agreement

Major changes include:

1. Updates the name of the Trustee from Second National Bank and Trust Company to National City Bank
2. Grants the President the authority to amend the Trust
3. Grants the Board of Trustees authority to terminate the Trust

Amended and Restated University of Kentucky Supplemental Long-Term Disability Plan, renamed, University of Kentucky Initial Salary Continuation Long-Term Disability Plan (University Funded) or “Salary Continuation Plan”

Major changes include:

1. Amend the name of the Plan
2. Amend definition of Total Disability
3. Define Long-Term Disability Status
4. Modify benefit structure
5. Establish industry best-practice coverage limitations

Amended and Restated University of Kentucky Long-Term Disability Plan

Major changes include:

1. Amend the name of the Plan
2. Amend definition of Total Disability
3. Define Long-Term Disability Status
4. Modify Benefit Structure
5. Establish industry best-practice coverage limitations

Administrative Regulations: ARII-1.1-12 Family and Medical Leave

Section III.K

Delete “During any period of paid leave approved under this Policy or during a period of six (6) months or less of unpaid leave approved under this policy, the University shall continue to cover the cost of the employee’s enrollment in the long-term disability plan”.

Human Resources Policy and Procedure 94.0: Health Care Plan Credit

Limit the health care credit for long-term disability participants to 29 months or until eligible for Medicare Parts A and B.

Human Resources Policy and Procedure 95.0: Long-Term Total Disability Program

The document is amended to conform to amended Long-Term Disability Plan.

Action taken: Approved Disapproved Other _____

PART X

REGULATIONS AFFECTING EMPLOYMENT

A. General8. Employee Disability Program

Regular full-time faculty members and staff employees, other than those covered by Civil Service or the Federal Employee Retirement System, are covered by the Long Term Disability Program. Coverage commences after the completion of one (1) year of employment unless the eligible employee, at the time of hire, satisfies the exception condition as outlined in the plan document in which case there is immediate coverage. This program provides income protection through a Long Term Disability Plan. Supplemental Long Term Disability coverage may be offered at the employee's expense. ~~and, in some cases, supplemental benefits by the University. The University pays the full cost of this program.~~

2. Conditions of Employment(f) Leaves of Absence(ii) Temporary Disability Leave

Temporary Disability Leave (TDL) may be granted to faculty members by the Provost. Eligible faculty members who are totally disabled are entitled to six (6) months' TDL with pay. after which the Long Term Disability Plan, for which the University pays the full cost, becomes operative. ~~TDL with pay for more than six (6) months requires approval by the Board of Trustees.~~