



Long Term Disability Income Plan

THIS BOOKLET SUMMARIZES THE PLAN; ARIZONA LAW GOVERNS

This booklet is a summary description of the Long Term Disability Income Plan. Changes to or interpretation of Arizona law may supersede it. The law will govern in all cases no matter what the specific language in this booklet might state.

Amended and Restated

July 15, 2011

LONG TERM DISABILITY INCOME PLAN - WHAT IS IT?

This plan provides you with a monthly benefit designed to partially replace income that might otherwise be lost during periods of total disability resulting from a covered injury, sickness or pregnancy.

It is provided as a benefit with your membership in the Arizona State Retirement System (ASRS). The ASRS has contracted with Sedgwick Claim Management Services, Inc (Sedgwick CMS) for administration of this Long Term Disability (LTD) Income Plan. Sedgwick CMS makes all initial decisions regarding claims submitted under the LTD Plan. Please contact Sedgwick CMS if you have questions about the plan and its administration. The phone number and address are on the last page of this booklet.

Contact your Human Resources, Benefits, or Payroll Department to obtain the application packet for LTD benefits.

WHO IS ELIGIBLE?

- All public officers and employees who are participants in the ASRS and whom a participating employer employs in the system are eligible. There are exceptions:
- Active plan members from the Public Safety Personnel Retirement System, the Elected Officials' Retirement Plan, the University Optional Retirement Plan, or the Corrections Officer Retirement Plan are not eligible for benefits.
- A participant who is initially hired on or after 7/20/11 by an agency, department, board, or commission of the state, a university under the jurisdiction of the Arizona Board of Regents, judicial branch, the Arizona Corporation Commission, or the legislature is not eligible to be a member of the State Retirement System including the Long-Term Disability Income Plan before the 27th week of employment if ASRS membership criteria is met.
- A participant who is receiving retirement benefits from ASRS is not eligible for LTD benefits.
- A participant who withdraws employee contributions with interest and ceases to be a member of the plan is not eligible for LTD benefits.
- A participant who files an initial claim for disability benefits more than twelve months after the date of disability is not eligible unless the participant shows ASRS good cause for filing late.

WHAT IS TOTAL DISABILITY?

- During the first 30 months of a disability, including a six-month waiting period, you are considered Totally Disabled if you are under the care of a licensed physician and are unable to perform all of the duties of the job you held when you became disabled.

- After you have received benefits for 24 months within a five-year period, you are considered Totally Disabled if you are under the care of a licensed physician and are unable to perform any work for compensation or gain (greater than or equal to two thirds of compensation at the time of disability) for which you are reasonably qualified by education, training or experience.

WHAT DISABILITIES ARE NOT COVERED?

Monthly LTD income benefits are not payable to a participant whose disability is due to, or a result of, any of the following:

- An intentionally self-inflicted injury;
- War, whether declared or not;
- An injury incurred while engaged in a felonious criminal act or enterprise;
- For employees hired on or after July 1, 1988, any injury, sickness, or pregnancy for which you received medical treatment **within three months** prior to the effective date coverage began under the LTD Income Plan. Except for any employee who becomes an active contributing member on or after July 1, 2008 and receives medical treatment **within six months** prior to the effective date coverage began under the LTD Income Plan. This exclusion does not apply to a disability commencing after a person has been an active contributing member of a participating employer for twelve continuous months from their most recent membership date.

"Received medical treatment," means that you have consulted with or received the advice of a licensed medical or dental practitioner, including advice given during a routine examination. It also includes situations in which you have received medical or dental care, treatment or services, including taking drugs, medication, insulin, or similar substances.

WHEN DO BENEFITS BEGIN?

Benefits will commence on the day following a waiting period during which you have been totally disabled for six consecutive months. Benefits are paid monthly.

The waiting period will not be interrupted by limited duty. Limited duty means, as advised by a licensed physician, work in a capacity where the member is unable to perform all the duties and or work less than a full-time schedule of the position held at the time that the member became totally disabled.

Also, if you are totally disabled and return to full-time work in your regular occupation with a participating employer for up to ten (10) full-time working days during any one waiting period and again become totally disabled for the same cause, then your waiting period will be extended by the number of days that you returned to full-time work in your regular occupation plus any days off in between.

However, if you return to work for more than ten (10) full-time days in the first six month waiting period in your regular occupation for a participating employer and again become disabled, you will be required to satisfy a new six month waiting period in its entirety.

WHAT IF I AM WORKING OR RECEIVING WORKERS' COMPENSATION BENEFITS?

If you are receiving workers' compensation benefits or working limited duty due to an illness or injury you may be eligible to receive LTD income benefits. Limited duty means, as advised by a licensed physician, work in a capacity where the member is unable to perform all the duties and/or work less than a full-time schedule of the position held at the time that the member became totally disabled.

WHAT IS THE AMOUNT OF MY BENEFIT?

The basic monthly benefit is $66 \frac{2}{3}$ percent ($66 \frac{2}{3}\%$) of your Monthly Compensation as of the date you become disabled. In determining Monthly Compensation, Sedgwick CMS will use the definition of "Compensation" outlined in Arizona Revised Statutes Section § 38-711, subsection 7.

If you are employed by a school district or other participating employer which pays you on a less than twelve month schedule, your Monthly Compensation will be one twelfth ($1/12$) of your annualized Compensation on the date disability begins.

If you are employed under multiple contracts, for which contributions have been paid in the plan, your Monthly Compensation will be one twelfth ($1/12$) of your annualized compensation from all contracts.

If benefits are payable for a period that is less than a full month, one thirtieth ($1/30$) of the monthly benefit amount is payable for each day that you are entitled to benefits.

The basic monthly benefit may be reduced by an Offset Amount in determining the benefit actually due.

If the Offset Amount under this plan is found to be different than that actually considered in calculating your benefits, Sedgwick CMS will advise you of the effect on your benefit and adjust your benefit accordingly.

If an overpayment of benefits occurs, Sedgwick CMS will require a full refund from you for the amount of the overpayment. The monthly benefit, which would otherwise be payable to you, may be applied to reduce the overpayment until it is repaid in full. If the balance of the overpayment is not satisfied upon termination of your disability claim, the balance of the overpayment will be recovered from any benefit proceeds you may be entitled to receive from ASRS.

If an underpayment of benefits occurs, Sedgwick CMS will promptly pay you the amount necessary to adjust the total payments to the amount that should have been paid under the plan.

MINIMUM BENEFIT

If you are eligible for a monthly benefit under the plan, a minimum monthly benefit of \$50 will be due you, no matter how much income you receive from other sources. If an overpayment exists in your claim, this minimum benefit will not be paid to you, but will instead be applied to reduce the overpayment until it is reduced to zero.

DEDUCTIONS FROM YOUR MONTHLY BENEFIT - THE OFFSET AMOUNT

If you receive benefits from any of the following sources they will be directly subtracted from your basic monthly benefit in determining the amount actually payable to you.

- Sixty-four percent (64%) of the initial benefits you receive from Social Security Disability to you and your family, when paid because of your disability. Except for a member who becomes disabled on or after July 1, 2008 eighty-five percent (85%) of the initial benefits you receive from Social Security Disability to you and your family, when paid because of your disability. This amount does not include:
 - The amount of attorney fees approved by Social Security rules and reasonable documented costs paid to an attorney to secure the Social Security disability benefit.
 - Any cost of living adjustments that are granted after benefits commence under this section.
- Eighty-three percent (83%) of the initial retirement benefits you receive from Social Security, except for a member who becomes disabled on or after July 1, 2008 eighty-five percent (85%) of the initial retirement benefits you receive from Social Security.
- All benefits, including sick pay, retirement benefits, unemployment compensation benefits or disability provided by any other group insurance contract or benefit arrangement which are financed in whole or in part by your participating employer. This does not include any retirement benefit that is received by the member pursuant to a state retirement system or plan other than ASRS. Vacation pay and annual leave are also not considered deductions from your basic monthly benefit.
- All benefits for disability under any Workers' Compensation Act, non-occupational disability benefit law, the maritime doctrine of maintenance, wages, and cure, or similar legislation.
- Payments for a veteran's disability to the participant, if the payment is for the same condition or a condition related to the condition currently causing the total disability and is due to, or a result of, service in the Armed Forces of the United States.

- Half of any salary, wages or commissions or other employment related pay that a participant receives or is entitled to receive from any gainful employment. Any money paid from employment during the LTD benefit period will be an offset for that period and will not be allocated over multiple benefit periods.

LTD recipients are eligible to receive the benefits and payments described above and the reductions provided above apply, even though the benefits are not actually paid, as follows:

- For primary and dependent Social Security benefits, LTD recipients are considered eligible for Social Security benefits until the benefits are appealed before a social security administrative law judge.
- For benefits and payments from any other source provided above, LTD recipients are eligible for the benefits if it is reasonable to believe that the benefits will be paid on proper completion of the claim or would have been paid except for the failure of the recipient to pursue the claim in time.

If the Claims Administrator feels that you could be eligible for Social Security benefits as described above you may prevent your claim from being suspended or terminated by providing the following to Sedgwick CMS:

- Signed right of reimbursement form
- Authorization for Social Security Administration to release information to Sedgwick CMS
- Copy of application receipt from Social Security
- Copies of all denials from Social Security
- Copies of all denial appeals to Social Security

When your Social Security benefit has been awarded, or if you are denied Social Security benefits, you should notify Sedgwick CMS as soon as possible. Social Security benefits will be deducted from your monthly LTD benefit for any months in which you were entitled to both Social Security and LTD benefits. Monthly LTD payments to you will not be affected by statutory or cost of living increases in Social Security benefits that take effect after monthly benefits under this plan commence. This also applies to statutory or cost of living increases in retirement plans, Veteran's disability payments and the maritime doctrine of maintenance, wages, and cure.

Offset amounts for one-sum payments or lump-sum payments will be as determined by Sedgwick CMS on a reasonable basis consistent with other similar determinations.

WHAT ABOUT TAXES?

Your LTD income benefit is considered taxable income and is subject to applicable tax laws. If your disability commenced on or after 7/1/96, fifty percent (50%) of the benefit is taxable except for a member who becomes disabled on or after 7/1/11, forty-seven percent (47%) of the benefit is taxable.

The portion of your benefits that comes from employer contributions is taxable. Therefore, Sedgwick CMS will withhold legally required federal taxes from the appropriate percentage of your adjusted gross monthly benefit. A Form W-4 will need to be completed indicating your withholding allowances. Your LTD income benefit is also subject to state income tax and a Form A-4 will need to be completed. A Form W-2 will be sent at the end of each year reflecting federal and state taxes withheld for that year.

HOW LONG WILL BENEFITS BE PAYABLE?

Benefits are payable following the waiting period, for the remainder of your period of total disability, except that benefits will not be payable beyond:

- The date you are no longer totally disabled;
- The date you are no longer under the direct care of a licensed physician.
- The date you refuse to undergo a medical examination or refuse to participate in any work rehabilitation program for which you are reasonably qualified by education, training or experience that is requested by Sedgwick CMS.
- The date you fail to provide information, data, paperwork or other materials that are requested by ASRS or Sedgwick CMS. If you provide the requested information, Sedgwick CMS will retroactively reinstate the benefits or claim for which you are entitled.
- The later of the following:
 - a. The later of your normal retirement date or the month following sixty months of payments if disability occurs before 65 years of age.
 - b. The month following attainment of 70 years of age if disability occurs at 65 years of age but before 69 years of age.
 - c. The month following twelve months of payments if disability occurs at or after 69 years of age.
- For a member with a membership date prior to 7/1/11, “normal retirement” is defined as the earliest of the following:
 - a. A member’s 62nd birthday and completion of at least 10 years of credited service
 - b. A member’s 65th birthday
 - c. The date the member’s age and years of total credited service equals 80
- For a member with a membership date on or after 7/1/11, “normal retirement” is defined as the earliest of the following:
 - a. A member’s 62nd birthday and completion of at least 10 years of credited service
 - b. A member’s 65th birthday
 - c. A member’s 60th birthday and completion of at least 25 years of credited service
 - d. A member’s 55th birthday and completion of at least 30 years of credited service

- The date you begin to receive retirement benefits under the ASRS.
- The date you withdraw employee contributions with interest and cease to be a participant in the ASRS.
- If you are convicted of a criminal offense and sentenced to more than six months in a jail, prison or other penal institution, benefits will cease the month following thirty days of continuous confinement and will continue to be suspended for the remainder of the confinement.

A participant who receives monthly benefits under the LTD Plan is entitled to receive service credits from the time disability commences until the participant's normal retirement date, except that for a participant who receives monthly benefits from the LTD Plan on or after June 30, 1999, the years of service credited to the participant's retirement account shall not exceed the greater of thirty (30) years or the total years of service credited to the participant's retirement account on the commencement of disability.

WHAT HAPPENS IF MY DISABILITY STOPS AND THEN RECURS?

If you have satisfied a waiting period, then return to work with a participating employer, and later become disabled again for the same or a related cause, you may not have to satisfy a new waiting period.

If you become disabled for the same or a related cause, benefit payments will resume without a waiting period, as long as you have returned to work full-time with the participating employer for less than six consecutive months.

A new period of disability for a different and entirely unrelated cause following at least one day of full-time work with the participating employer will require a new waiting period before any additional benefits would be payable.

WHAT IS THE AMERICANS WITH DISABILITIES ACT (ADA)?

ADA prohibits discrimination in employment against people with disabilities.

It requires employers to make reasonable accommodations to the known physical or mental limitations of a qualified applicant or employee, unless such accommodation would impose an undue hardship on the employer.

Reasonable accommodations may include:

- Making worksites accessible
- Modifying existing equipment
- Providing new devices
- Modifying work schedules
- Restructuring jobs

WHAT ABOUT THE HEALTH INSURANCE PREMIUM BENEFIT PROGRAM?

If you are a retired or disabled member of the ASRS, with at least five years of credited service, and receive your group health insurance coverage through your participating employer or through the ASRS' Retiree Group Insurance Program, you are eligible to participate in the Health Insurance Premium Benefit Program.

If you receive LTD income benefits and are covered by the ASRS' Retiree Group Health Insurance Program and, later, become ineligible for the LTD benefits, you may continue health insurance for yourself and your covered dependents for up to twelve months from the date you become ineligible for additional LTD benefits. If you were receiving the Health Insurance Premium Benefit, this benefit will cease the date you become ineligible for additional LTD benefits. You will be financially responsible for the full amount of the premiums.

You should contact your participating employer or the ASRS Member Services Division for information regarding the Health Insurance Premium Benefit Program and other insurance programs available to you.

HOW TO FILE A CLAIM FOR BENEFITS

You should file your claim as soon as it appears that you will be disabled for six consecutive months. If you are not certain how long your disability will last, you should file your claim when you have been off work or working limited duty for two months.

- Contact your Human Resources, Benefits, or Payroll Department to obtain the application packet necessary to file a LTD claim. The forms included in the packet are: Claim Statement, Release of Information form, W-4 form, A-4 form, Direct Deposit form, and the Attending Physician's Statement.
- Complete, in full, the Employee Claim Statement. The information requested here relates to the date and cause of your disability, other sources of income available to you, and an authorization, which allows Sedgwick CMS to obtain medical records, if necessary. Please provide as much pertinent information as possible, e.g., any return to work period, light duty status, etc., which would help Sedgwick CMS in the determination process. You may attach a separate sheet, if necessary.
- Complete, in full, Claim Statement Part 2. The information requested here is used for the possible exploration of rehabilitation services. Please provide as much information as possible, which will help Sedgwick CMS in determining possible assistance in rehabilitation.
- Complete the W-4 and A-4 tax withholding forms. If Sedgwick CMS does not receive these completed forms from you, Sedgwick CMS will withhold federal taxes based on an S1 (single with one exemption) rate, and Arizona State taxes at a rate of 5.1%.
- Complete the Direct Deposit form. This will allow Sedgwick CMS to electronically deposit the LTD benefit payments into your bank account.

- Ask your doctor to complete the Attending Physician's Statement. This form provides details of your condition, current treatment, and prognosis. The information requested here should date from the onset of disability to the current date. If different doctors are involved, it may be necessary to submit more than one physician's statement.
- Return the disability packet to your Human Resources, Benefits or Payroll Department. They will submit the claim directly to Sedgwick CMS.
- Once Sedgwick CMS has received the claim, it will be processed and you will be sent written notice of the status of your claim.

The earlier you file your claim, the more likely it is that Sedgwick CMS can complete all of the processing necessary, including gathering additional information, to provide you with a decision regarding your claim on or before the date that benefits would be payable.

NOTIFICATION OF DECISION BY PROGRAM ADMINISTRATOR (SEDGWICK CMS)

A decision regarding your claim will be made promptly after Sedgwick CMS receives complete proof of loss. Complete proof of loss means the forms specified in the preceding section, any additional forms that Sedgwick CMS requires, and any investigation by Sedgwick CMS which is necessary to determine benefits that may be payable under the plan. Sedgwick CMS may ask that you be examined by a physician of its choice at no cost to you and may also make any other investigation deemed necessary to determine benefits that may be payable under the plan.

Once you have been approved for LTD benefits, you are required by Arizona law to be under the direct care of a licensed physician in order for monthly LTD benefits to continue. In order to verify that you are under the direct care of a physician and to establish proof of loss, a physician's supplemental statement form completed by your attending physician will be required as deemed necessary by Sedgwick CMS. This form will be provided to you at no cost, however, the cost of having this form completed will be your responsibility. Sedgwick CMS will inform you as to the frequency that such proof of loss will be required. Sedgwick CMS will advise you when additional medical or other evidence is necessary to determine if additional benefit payments can be paid.

If the claim is denied in whole or in part, Sedgwick CMS will provide written notice of such denial. The notice will contain:

- The specific reason or reasons for the denial.
- A description of the additional material or information, if any, necessary to complete the information to make a decision on an appeal of the claim and an explanation of why such material or information is necessary.
- An explanation of the plan's claim appeal procedure.

IF I DISAGREE WITH THE DECISION ON MY CLAIM, WHAT CAN I DO ABOUT IT?

If you disagree with the determination made on your claim, you have the right to request a thorough review of the decision.

The procedure is as follows:

- Within sixty (60) days after you receive *written* notice of the initial determination on your claim, you must file a *written* request for a review.
- The review request should include any additional facts and documentation that will support your claim. For your assistance, you may:
 - Request a copy of the LTD Statutes;
 - Ask for further explanation of the pertinent plan provisions and the reason for the initial determination;
- Your *written* request for a review must be mailed to the address below:

Sedgwick CMS
Attn: ASRS Claims Manager
P.O. Box 9830
Calabasas, CA 91372-0830

If you should have any questions regarding the LTD Income Plan, the toll-free telephone number is 1-800-495-9301.
