



Long Term Disability Benefits - Premium Refunds

We have had a number of questions on the issue of continued participation in long term disability (LTD) plans for members approaching retirement. The following document outlines our insurer's termination provisions and premium refund policies and procedures.

Termination provision

Whether your plan is established on a mandatory or non-mandatory participation basis, members should not remit LTD premiums if they are no longer eligible to receive benefits.

The termination provision in the standard OTIP LTD policy allows a member to terminate his/her coverage on the earliest of:

- The date the member is eligible for a **66% unreduced service pension (USP)**, less the length of the waiting period, or
- The end of the month when the member reaches age 65, less the length of the waiting period.

A review of your LTD contract will help clarify your specific situation, as waiting periods vary and some contracts may specify a different termination date (i.e. 64%, 62%, 60% USP or attainment of age 65). Your service representative would be happy to review your contract with you.

It is a common misunderstanding that eligibility for benefits terminates when a member attains their 85 factor for pension purposes. The OTIP LTD contract establishes that eligibility to receive benefits terminates at a specified USP level. Benefits do not simply terminate at attainment of the 85 factor, but rather when a member becomes eligible to receive a specified unreduced service pension.

For example, if a member reaches age 60 with only 25 years of service, he/she has attained the 85 factor, but is eligible for a 50% pension. Therefore this member would continue to be eligible to receive LTD benefits.

Another member is 55 years old and has 33 years of service. This member is eligible for a 66% USP (at least 85 factor with 33 years of service). Under the standard OTIP contract, this member's LTD coverage should be cancelled once he/she is within the length of the waiting period from the completion of 33 years of credited service (attainment of a 66% USP).

Premium refund

If a member has paid LTD premiums after he/she is no longer eligible to receive LTD benefits, it is OTIP's policy that the overpayment of premiums may be refunded back to the member, within certain parameters. The maximum amount refunded in the event of a retroactive request will be the overpaid LTD premium amounts for the current school year, and the school year prior to the current year.

To apply for termination or a refund, a member should notify OTIP in writing of their LTD premium overpayment including a copy of their Teachers' Pension Plan (TPP) pension report illustrating TPP credit, qualifying years and qualifying factor. Your OTIP service representative will review the documentation, identify any outstanding required information and arrange for the refund to be processed. Since the maximum refund period is limited to the current and the preceding school year, refund requests should be forwarded to OTIP prior to August 31.

Communication to members

It is important that this information be communicated to your members on a regular basis. Members who meet any of the termination provisions should no longer be contributing premiums for LTD benefits.

This document is also available in Microsoft Word format on OTIP's Web site at www.otip.com. Please feel free to use this information in your local publication or on your Web site. Please note this is general information. Variances may exist on the basis of your group LTD plan.

If you have any questions, please contact your OTIP service representative at 1-800-267-6847.