

HRCR 1

Office of the President
September 12, 2006

Members, Board of Trustees:

PROPOSED AMENDMENT TO THE GOVERNING REGULATIONS

Recommendation: that the attached revision of the Employee Disability section and the Conditions of Employment section of the university's Governing Regulations (GR X.A.8, B.2.(f)(ii)) relating to Long Term Disability (LTD) coverage, which was received by the Board of Trustees for preliminary consideration at the June 13, 2006 meeting, be approved.

Background: The University of Kentucky 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.

A redline copy of the affected sections of GR X accompany this document (Attachment A). The amended LTD benefits will continue to exceed industry standards, but reduce associated liability with the savings being redirected toward funding Retiree Health Benefits.

Action taken: Approved Disapproved Other _____

ATTACHMENT A**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.~~

B.

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.~~