

Quick Summary

Sick leave
Employer Disability Program STD
LTD
Sick leave:

Allow an employee to miss up a certain days due to sickness and still receive 100% salary

Annually no dys

unused sick days : 1) carry forward next yrs
2) e'er buys them back
3) do nothings and get wasted.

Some sick leave may be more formal:

Benefits may begin after a waiting period or on first day of absence due to accident/hospitalization.

Benefits can be 100% income or less

Benefit period can be stated as a fixed number of sick days per yrs or as a number each mths
(x. dys/yr // x. dys/mth).

Employer takes all the financial risk of a "self-insured" plan and benefits e'er gets are considered wages.

→ taken into account of CPP, EI, WC contribution

STD { Sick leave plan.
STD

Plan → insured / has involvement by an insurance comp
maximum benefit period is longer.

less formal

Funding methods

i. Fully Insured Plans:

Risk is transfer to insurer while e'er paid

Plans are underwritten by an insurance company.

E'er has a contract with insurer to provide STD to e'ee

Insurer agrees to adjudicate and pay all claims out of insurer's company

ii. Self-Insured

Benefits are paid by e'er.

E'er make CPP, EI, WC plus tax on benefits.

Use a 3rd party for claims adjudication

iii. Administrative Service Only Plans. (ASO)

STD plans that use an insurance company only to provide administration service

Insurer provides service to e'er such as adjudicating disability claims and mailing out disability checks.

E'er pays a flat fee to insurer for ASO service.

E'er pays the benefit.

Benefits would not be subjected to tax, CPP, EI, WC for e'er.

For e'ee, benefit still subject to income tax, CPP, EI.

Highlights

STD benefits are usually stated as a percentage of pay

hospitalization / accident 1st day

Payments begin illness 4th/8th days by

Benefits are taxable to e/c unless

- 1) plan is insured
- 2) premium fee is paid by e/c

LTD

Per sponsored : Fully insured

Group LTD whole e/c class is underwritten.

Waiting period of LTD is covered by STD

first yrs : own occupation : unable to perform 80%
of normal duties.

thereafter: any occupation: unable to perform a job that
pays $\frac{2}{3}$ of pre-disability earning

Covering age: disabled \rightarrow 65 15% - 20% pre-tax

Payment : monthly expressed as a % of pay

E/c pays premium \rightarrow not taxable income.

LTD is intergraded with CPP, WC to limit income.

e.g. Income = 60,000 LTD : 60% income CPP : 800/mth.

$$\text{LTD benefit} = 60,000 \times 60\% - 800 \times 12$$