

February 7, 2014

CSSEA Pool Group Life and Accidental Death & Dismemberment Contribution Change

Effective April 1, 2014, HBT will change its rate collection practice for Group Life and Accidental Death & Dismemberment (AD&D) for CSSEA and ex-CSSEA employees on Long-Term Disability.

This notice describes the:

- change in rate collection practice
- rationale for the change
- impact of the change on employers
- next steps

CHANGE IN RATE COLLECTION PRACTICE

Currently, employers make contributions for Group Life and AD&D for active and disabled employees. In other words, there is an explicit charge for Group Life and AD&D for disabled employees.

Starting on April 1, 2014, there will no longer be an explicit charge for Group Life and AD&D for disabled employees. To replace the revenue collected in respect of disabled employees – required because HBT is funded on a cost-recovery basis – there will be a corresponding increase in contribution rates for Group Life and AD&D for active employees.

RATIONALE FOR THE CHANGE

CSSEA members have expressed concern that the current practice may be inconsistent with language in the CSSEA collective agreements. Language under “Information Appendix A” of these agreements provides that employees and employers will not contribute to Group Life and AD&D coverage for disabled employees.

IMPACT OF THE CHANGE ON EMPLOYERS

The change will have an administrative impact: employers will no longer receive invoices with a charge for disabled employees.

The total Group Life and AD&D contributions will remain the same across the CSSEA Pool. These contributions are collected to fund the expected benefit payments which do not decrease as a result of the change in the contribution collection practice.

In order to achieve the same level of contributions, the contribution rate for active employee coverage will increase minimally. The contribution rate will be set at a level so that each employer will contribute approximately the same amount as they would have contributed under the existing system. To achieve this, the active contribution rate for Group Life and AD&D will be different by employers. Employers with more disabled employees with Group Life and AD&D coverage will have a higher active rate than employers with fewer disabled employees. The average rate increase will be approximately 5%.

NEXT STEPS

In the coming weeks, you will receive revised active Group Life and AD&D rates. These will be the rates charged for your Group Life and AD&D coverage for active employees when you receive your invoice following April 1, 2014.