

**Long Term Disability Plan
Option To Change Benefit to Non-Taxable**

Effective January 1, 2004, you will have the option of changing the taxable nature of your Long Term Disability benefit. The current Long Term Disability plan provides for income replacement of 60% of pre-disability earnings in the event you become disabled. Because the University pays the premiums, if you become disabled, any approved benefits payable to you are considered taxable income.

To change the taxable nature of your LTD benefit you have an option to make a one time irrevocable election to pay taxes on the LTD premium that is paid on your behalf by the University. **WHAT THIS MEANS TO YOU:** If you become disabled, there would be no taxes payable on the LTD benefits you receive. Below are some examples of the taxable nature of the current benefit plan and the new election available under the LTD plan. If you need to know the tax implications for YOUR take home pay before you can make a decision, please call Al Kisling at 2-6513. Please review this information carefully before making your election below.

If you make this election, you will be taxed on the premium that the University pays for your Long Term Disability coverage. The cost impact to you will be based on your individual income tax bracket; however, the following are some examples of how the non-taxable and taxable LTD benefits work.

Examples – Taxable Income

Annual Salary Taxable Wages	Taxable income (LTD Premium Amount)	Estimated Taxes Paid by You
\$30,000	\$63.00	\$14.00
\$40,000	\$84.00	\$19.00
\$60,000	\$126.00	\$33.00

Examples – Benefit You Receive If Disabled

Annual Salary Taxable Wages	Net Pay If Taxable LTD Benefit (no election)	Net pay If Non-Taxable LTD Benefit (with election)
\$30,000	\$16,100	\$18,000
\$40,000	\$21,400	\$24,000
\$60,000	\$31,400	\$36,000

Note: These are tax estimates only and will vary by individual.

Whether or not you make this election, the University will continue to pay the LTD premiums on your behalf. By making this election, if you have a disability, which is approved by the carrier and you earn an annual salary of \$40,000, your annual Long Term Disability pay would be \$24,000 versus \$21,400 if you do not elect this option. The estimated annual cost to you, in the form of taxes, would be \$19. Your taxes would change in future years, depending on your salary and the insurance rate. The result would be an improved benefit for very little cost to you.

Long Term Disability Election to Pay Taxes on the Premium

By signing below I understand I am making a one-time irrevocable election to authorize the University of St. Thomas to tax the Long Term Disability premiums on my behalf. I also understand, by authorizing this election, the LTD benefit payments will not be taxable income to me in the event of an approved disability.

Please print your name

Mail #

Signature

Date