



Group LTD Insurance Work Incentive Benefit

Determining What Benefits Are Payable When Employees Work

Determining the amount of long-term disability (LTD) benefits payable when employees work during a disability can be somewhat complex. This guide provides examples of how Principal Life Insurance Company handles this situation.

The work incentive benefit is designed to allow employees to earn up to 100% of their indexed pre-disability earnings through all income sources for the first 12 months (varies) of part-time work. To better understand this benefit, check the Benefits Payable section of your group policy (Part IV – Benefits). You'll find a definition similar to the one below.

Employees working during a disability

The work incentive benefit payable to a working employee for each full month of a benefit payment period is:

1. For the first 12 months (varies), the lesser of:
 - a. 100% of indexed pre-disability earnings, less other income, less earnings from the employee's own occupation or any occupation; and
 - b. the primary monthly benefit, less other income sources
2. After the first 12 months, the benefit payment is the employee's primary monthly benefit, less other income sources, multiplied by the employee's income loss percentage.

Definition of common terms

Pre-disability earnings – An employee's monthly earnings in effect on the date the disability begins.

Indexed pre-disability earnings – An employee's pre-disability earnings adjusted for increases in the Consumer Price Index. The increase occurs each March 1st when an employee is working part time.

Income loss percentage – An employee's indexed pre-disability earnings less any current earnings from his or her own occupation or any occupation, divided by the employee's indexed pre-disability earnings. Example one on the back is calculated as follows: $\$2,600 - \$1,250 \div \$2,600 = 52\%$

Primary monthly benefit – The applicable percentage (varies between policies) of the employee's pre-disability earnings.

This guide is to only be used as a reference. Policies vary among employers. If you have specific questions, please contact the Group Life and Disability Service Team at 1-800-245-1522.

Examples of how it works

EXAMPLE ONE (WITHOUT other income sources)	
Pre-disability earnings (PDE)	\$2,600 per month
Primary monthly benefit (PMB)	\$1,560
Part-time earnings	\$1,250
Other income	\$0
During the first 12 months, the employee is eligible for the lesser of:	$\$2,600 \text{ (PDE)} - \$1,250 \text{ (earnings)} = \$1,350$ OR $\$1,560 \text{ (PMB)} - \$0 \text{ (other income)} = \$1,560$ In this case, the lesser of the two benefits is \$1,350.
When the employee's part-time earnings and disability benefit are added together, they equal 100% of the employee's indexed pre-disability earnings:	$\$1,250 + \$1,350 = \$2,600$
After 12 months of part-time work, the employee is eligible for:	$\$1,560 \text{ (PMB)} \times 52\% \text{ (income loss percentage)} = \mathbf{\$811.20}$ per month

EXAMPLE TWO (WITH other income sources)	
Pre-disability earnings (PDE)	\$2,600 per month
Primary monthly benefit (PMB)	\$1,560
Part-time earnings	\$750
Other income as defined in the group policy	\$150
During the first 12 months, the employee is eligible for the lesser of:	$\$2,600 \text{ (PDE)} - \$150 \text{ (other income)} - \$750.00 \text{ (earnings)} = \$1,700$ OR $\$1,560.00 \text{ (PMB)} - \$150.00 \text{ (other income)} = \$1,410$ In this case, the lesser of the two benefits is \$1,410.
When the employee's part-time earnings, plus other income and disability benefit are added together, they equal 89% of the employee's indexed pre-disability earnings:	$\$750 + \$150 + \$1,410 = \$2,310$ Disability benefits paid will never be greater than the primary monthly benefit. In this example, if the employee had not received other income, Principal Life would have paid the primary monthly benefit of \$1,560.
After 12 months of part-time work, the employee is eligible for:	$\$1,560 \text{ (PMB)} - \$150 \text{ (other income)} \times 71\% \text{ (income loss percentage)} = \mathbf{\$1,001.10}$ per month



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This is an overview of long-term disability coverage from Principal Life. It is not an insurance contract or a complete statement of the rights, benefits, limitations and exclusions of the coverage described here. Examples provided are for illustrative purposes only.