

We want to provide you with a detailed understanding of the factors contributing to the Long-Term Disability (LTD) rate increase for the year 2024. As members are already aware of the adjustment, this communication aims to offer transparency and clarity regarding the reasons behind this decision.

Background:

In 2021, MEBAC had excess reserves due to favorable LTD experience and investment gains. The decision was made to return these reserves to MEBAC members via a temporary reduction in the employee LTD premium for 2022 and 2023, reducing the rate down from the true cost of 2.4%, to 1.25%.

As the subsidization period came to an end and the reserves almost returning to target levels, MEBAC completed a thorough review of our benefits program, considering several factors impacting the overall financial stability of the program, including the forecasted claims experience, economic conditions and investment expectations.

Following this review MEBAC determined that it could extend its subsidization of rates into 2024. However, the extent of subsidization has been significantly reduced, resulting in an LTD rate of 2.2% for 2024.

The reduced subsidization in 2024 is intended to restore MEBAC's reserves to the targeted levels, any future subsidization will be reviewed by the MEBAC Executive Committee. MEBAC has observed an increase in the number and complexity of LTD claims, with some cases involving extended periods of disability and so are closely monitoring the true costs which may impact the rates in future years.

Next Steps:

We acknowledge that any rise in benefit costs can be concerning. However, the increases observed this year are a deliberate step toward restoring a normal cost, as excess reserves have now been utilized. Our goal is to balance the need for comprehensive coverage with the affordability of benefits for all MEBAC members.

We appreciate your understanding and cooperation during this time. Should you have any questions or concerns, please feel free to reach out to your union/ association representatives. We remain dedicated to supporting you and ensuring your well-being.

Sincerely,

MEBAC Executive Committee