

MASTER BENEFIT PLAN DOCUMENT

for the

TEXAS INCOME PROTECTION PLANSM

a disability income benefits plan

established by

The Board of Trustees of the

EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Effective Date: 09/01/2024

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**Article I: Schedule of Specifications
Texas Income Protection Plan**

The effective date of this Schedule of Specifications is September 1, 2024. This Texas Income Protection Plan (TIPP) Schedule of Specifications applies to Short-Term Disability and Long-Term Disability claims with dates of disability occurring on and after September 1, 2024.

Schedule of Specifications Description

All eligible Employees who enroll in the Plan shall be eligible to elect either one or both of the following coverages for disability income benefits:

Short-Term Disability

Monthly Income: 66% of Monthly Salary up to a maximum benefit of \$6,600.00 per month, with a minimum monthly benefit of not less than 10% of covered Monthly Salary.

Waiting Period: The greater of 14 consecutive days or the number of days the Employee is entitled to sick leave, extended sick leave, donated sick leave and sick leave pool, if any, at the onset of Total Disability.

Maternity claims:

When the Employee is eligible for the state's Paid Parental Leave (PPL) benefit, the waiting period will be calculated as the greater of 14 consecutive days or the number of days the Employee is entitled to sick leave, extended sick leave, donated sick leave and sick leave pool, if any, at the onset of Total Disability.

Maximum Benefit Period: 166 days after completion of the waiting period.

Long-Term Disability

Monthly Income: 60% of Monthly Salary up to a maximum benefit of \$6,000.00 per month, with a minimum monthly benefit of not less than 10% of covered Monthly Salary for a maximum period of one year.

Waiting Period: The greater of 180 consecutive days or the number of days the Employee is entitled to sick leave, extended sick leave, donated sick leave and sick leave pool, if any, at the onset of Total Disability.

Maximum Benefit Period:

Age when disability begins	Maximum benefit period
Less than 62	Until your Social Security Normal Retirement Age
62	60 months of payments
63	48 months of payments
64	42 months of payments
65	36 months of payments
66	30 months of payments
67	24 months of payments
68	18 months of payments
69 or older	12 months of payments

Benefits begin after completion of the Waiting Period; see Schedule of Specifications for details. Benefits will stop the first day of the Plan Month following attainment of the limiting age.

Limitations for Mental and Emotional Diseases and Disorders: See Article V, Section E, for a description of the limitations on the benefit periods applicable to any Total Disability resulting from mental and emotional diseases or disorders.

Limitations for Disabilities as a result of a Substance Abuse Disorder: See Article V, Section F, for a description of the limitations on the benefit periods applicable to any Total Disability resulting from a substance abuse disorder or a co-morbid condition as a result from a substance abuse disorder.

Article II. Eligibility for Disability Income Coverage; Effective Dates

A. Eligibility for Coverage

1. Any Employee shall, upon the date he becomes an Employee, become eligible to apply for coverage under the Plan in accordance with Eligibility Rule Section 81.5 and Enrollment and Participation Rule Section 81.7 of the Rules of the Board of Trustees of the Employees Retirement System of Texas in effect on September 1, 2013, as the same may be amended from time to time, hereinafter called "the Rules," incorporated herein by reference.
2. The *Waiting Period* is shown in the *Schedule of Specifications*, Article 1.

B. Application for Coverage

1. Coverage under the Plan for each eligible Employee shall be contingent upon the Employee making application in accordance with the Rules; thereupon, subject to acceptance by the Underwriter, coverage shall become effective in accordance with the Rules.
2. Evidence of Insurability, obtained at the Employee's expense, and acceptance of such Evidence of Insurability by the Underwriter, shall be required for any Employee who does not elect to enroll within the first 31 days of employment.

C. Evidence of Insurability

1. A condition for acceptance of coverage shall be the submission by the Employee, without expense to ERS, the Plan, or the Underwriter, Evidence of Insurability satisfactory to the Underwriter.
2. If the Underwriter determines such evidence to be satisfactory and agrees in writing to accept the application, the coverage shall become effective on the first day of the Plan Month following the Evidence of Insurability approval date.

D. Effective Dates for Disability Income Coverage — Timely Application

1. Initial Coverage, First Date of Eligibility. If an application is for the initial coverage of an Employee, and if the application is made directly through ERS or received by the Employing Office benefits coordinator on or before the first date of eligibility, coverage will become effective on the first date of eligibility.

If the application is received after the first date of eligibility, but within the first 31 days following the date the Employee first becomes eligible, the coverage will become effective on the first day of the Plan Month following the date the application is received.

2. Annual Enrollment. If an application for coverage of an Employee is made during Annual Enrollment, coverage will become effective on the first day of the next Plan Anniversary date or, if not approved by the next Plan Anniversary date, the first day of the Plan Month following approval.

3. Qualifying Life Event. If an application for coverage of an Employee is made within 31 days of a Qualifying Life Event, the coverage will become effective on the first day of the Plan Month following approval.
4. Late Entrant. If an application is not received within the first 31 days of the first date of eligibility, Employee is considered a late entrant and must wait until the next *Annual Enrollment* to apply for coverage and must furnish Evidence of Insurability satisfactory to the Underwriter before coverage can be effective.

An application for coverage of an Employee made beyond the first 31 days of the first date of eligibility, outside the Annual Enrollment period, or beyond the first 31 days after a Qualifying Life Event will not become effective.

E. Actively At Work Requirement

Notwithstanding the provisions of Sections C and D, above, the effective date of disability income coverage of any Employee who is not Actively at Work on the date his or her coverage would otherwise become effective shall be delayed and become effective on the first day such Employee is Actively at Work in accordance with the Rules.

F. Effective Date of Changes

1. Any salary or class changes or changes in elections of disability income coverage provided for this Plan shall have the following effective dates: Any change in the amount of disability income coverage of an Employee due to:
 - a. A change in salary or class on the Plan Anniversary date, September 1st, shall become effective on that date, or
 - b. A change in salary or class after the Plan Anniversary date shall become effective on the next Plan Anniversary date after such change; except that, in any case, if the Employee is not Actively at Work on the day the amount of his or her disability income coverage would otherwise be increased, such increase shall become effective on the first day the Employee is again Actively at Work in accordance with the Rules.
 - c. If a change in the amount of disability income coverage is due to adding an election as part of a Qualifying Life Event, the coverage shall become effective on the first day of the month following approval. If a change in the amount of disability income coverage is due to adding an election as part of Annual Enrollment, the coverage will become effective on the following Plan Anniversary date or, if not approved by the start of the Plan Anniversary date, the first of the month following approval.
 - d. If a change in the amount of disability income coverage is due to deleting an election as part of a Qualifying Life Event, the coverage shall become effective on the first day of the month following notification to ERS or in writing to the Employing Office benefits coordinator. If a change in the amount of disability income coverage is due to deleting an election during Annual Enrollment, the change will become effective on the following Plan Anniversary date.

G. Evidence of Insurability — Eligibility for Coverage

Any person who is eligible for coverage under the Plan and who would have been required to furnish satisfactory Evidence of Insurability to the Plan as a condition to obtaining such coverage and whose eligibility hereunder ceases either without the submission of Evidence of Insurability or with such evidence not having been accepted in writing by the Plan, shall provide Evidence of Insurability if he or she subsequently regains eligibility for coverage.

H. In the event of any conflict between this Article II and the Rules, the Rules shall prevail.

Article III. Premiums

- A. Continuation of the disability income coverage under this Plan shall be contingent upon payment to the Plan of required premiums by the Employer and/or Employee.
- B. Employees who are Actively at Work will have premiums deducted directly from their check. Premiums are typically paid in arrears. Premium payments are managed by each Employees' State Agency.

Employees on Leave Without Pay status pay premiums directly to ERS for the current month.

When an Actively at Work Employee's coverage terminates, the last premium will be charged the month following the termination effective date. For Employees on Leave Without Pay status, premiums end upon the termination effective date.

- C. If disability income benefits become payable under this Plan, following Employee's timely application and approval for a waiver of premium (if available), the Trustee may waive the payment of each premium which becomes due for the disability coverage under which benefits become payable and only during the period for which benefits are paid. Following a period of disability during which the Trustee has waived premiums, the Employee shall have the obligation to resume payment of premiums as they become due.

Article IV. Benefits and Payments

- A. The following provisions shall govern, where applicable, in any interpretation of the remaining sections of this Article IV:
1. Reference to Schedule - When reference is made to "Monthly Income," such term shall mean the amount of monthly income calculated by the formula shown for this term in the Schedule of Specifications for Short-Term Disability and Long-Term Disability. When reference is made to "Waiting Period" or "Maximum Benefit Period," such terms shall mean the number of consecutive days or months specified for Short-Term Disability and Long-Term Disability in the Schedule of Specifications.
 2. Benefit Calculation, Monthly Income - Monthly Income benefits shall be paid on a monthly basis; any benefits due to a member that are for less than a month will be calculated at the rate of 1/30th of the Monthly Income per day. The payment issuance date is typically the first day after the waiting period. After the first payment, all other payments are issued the first business day of the month.
 3. Successive Disabilities - Successive periods of Total Disability separated by fewer than 90 consecutive days of full-time Active Work for Short-Term Disability and 180 days of full-time Active Work for Long-Term Disability shall be considered one period of Total Disability unless the subsequent Total Disability is due to an Injury or Sickness entirely unrelated to the cause of the previous Total Disability and commences after return to full-time, Active Work. For both Short-Term and Long-Term Disability, the full Waiting Period must be met and benefits must become payable for this provision to apply.
- B. Leave Without Pay Status - Disability income coverage may be continued while an Employee is on Leave Without Pay status for up to 12 months, as long as the Employee elects to continue coverage and premiums are paid. Failure to pay premium after election to continue coverage will result in coverage cancellation. An Employee may cancel his or her disability income coverage and no premiums will be due for such coverage beginning in the month in which the Employee enters a Leave Without Pay status.
- C. Monthly Income for Short-Term Disability for Total Disability - Subject to all other provisions of this Plan Document, if a Total Disability requires that an Employee seek appropriate and regular care by an Approved Practitioner while the Employee is covered hereunder, the Plan will pay the Employee the applicable Monthly Income for Short-Term Disability. Benefits (one or more full days' worth) will begin on the day following the Waiting Period (if applicable), but will not exceed the Maximum Benefit Period for Short-Term Disability, which is 166 days.
1. Short-Term Disability Benefit Offsets

The amount of Monthly Income obtained for a Total Disability under Short-Term Disability shall be reduced by any benefit amount paid or payable for such disability under:

- a. Any applicable Worker's Compensation Act; and
- b. Any disability retirement benefit under applicable law (disability retirement law); and
- c. The amount of remuneration provided or available under any group insurance plan of an Employer providing disability income benefits, and further reduced by any amount actually paid under the Employees Retirement System of Texas and/or Teacher Retirement System of Texas, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System disability retirement benefits.

In the event the disability income benefits provided by Short-Term Disability are reduced by the above sources, the Monthly Income amount will be increased from 66% of Monthly Salary to not more than 70% of Monthly Salary while such reductions are being made; provided further that (a) when such reductions cease, such percentage shall be reduced again to 66%, and (b) in no event will the monthly income benefits actually payable under this Plan exceed 66% of Monthly Salary.

Calculating Short-term Disability Benefit

- a. **Example #1: Benefit without offsets.** If an Employee applies and is approved for a Short-Term Disability claim, then the benefits will be calculated as follows:

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 66%: \$3,300

The Employee's benefit amount would be \$3,300, if the Employee has no applicable offsets, assuming the benefit is not taxable.

- b. **Example #2: Benefits with offsets.** If the Employee has applicable offsets, then the benefits would be calculated as follows:

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 70%: \$3,500
- Subtract the Worker's Compensation Benefit: \$1,000

The remaining amount of \$2,500 is the Employee's benefit amount, assuming that the benefit is not taxable.

2. Paid Parental Leave (PPL)

The state's PPL benefit will not be an offset to the Short-Term Disability benefit.

- D. Monthly Income for Long-Term Disability for Total Disability - Subject to all other provisions of this Plan Document, if a Total Disability requires that an Employee seek appropriate and

regular care by an Approved Practitioner while the Employee is covered hereunder, the Plan will pay the Employee the applicable Monthly Income for Long-Term Disability. Benefits (one or more full days) will begin on the day following the Waiting Period (if applicable), but will not exceed the Maximum Benefit Period for Long-Term Disability. Please refer to the Schedule of Specifications for more information on the Long-Term Disability Maximum Benefit Period.

1. Long-Term Disability Benefit Offsets

The amount of monthly income thus obtained for a Total Disability payable under Long-Term Disability shall be reduced by any benefit amount paid or payable for such loss under:

- a. Any applicable Worker's Compensation Act; and
- b. Any disability retirement benefit under disability retirement law; and
- c. The full Social Security benefit to which an Employee is (or upon making timely and proper request and submitting due proof would be) entitled by reason of his or her Total Disability at the time of its commencement. If the Employee has not received a determination of the exact Social Security disability benefit amount available by the sixth month following the date Total Disability commenced, the Plan may estimate any Social Security disability benefit to which the Employee may be entitled; and

The Employee's Total Disability benefit will not be reduced by the estimated amount of Social Security Benefits if the Employee:

- i. Provides satisfactory proof of application for Social Security disability benefits within 30 days of claim approval; and
 - ii. Signs a reimbursement agreement under which, in part, the Employee agrees to repay the Plan for any overpayment resulting from the award or receipt of Social Security disability benefits and affirms the Plan's right to offset payment of future benefits until the overpayment is reimbursed in full; and
 - iii. Provides satisfactory proof that all appeals for Social Security have been made on a timely basis (30 days) to the highest administrative level unless the TPA determines in its discretion that further appeals are not likely to succeed; and
 - iv. If applicable, submits satisfactory proof that Social Security disability benefits have been denied at the highest administrative level unless the TPA determines in its discretion that further appeals are not likely to succeed.
- d. The amount of pay provided or available under any group insurance plan of an Employer providing disability income benefits, and further reduced by any amount actually paid under the Employees Retirement System of Texas and/or

Teacher Retirement System of Texas, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System disability retirement benefits; and

- e. When an Employee is covered under both Short-Term Disability and Long-Term Disability during the period disability income benefits are payable under both Elections, benefits payable under Long-Term Disability will be reduced by the amount of benefits payable under Short-Term Disability.

In the event the disability income benefits provided by Long-Term Disability are reduced by the above sources, the Monthly Income amount will be increased from 60% of Monthly Salary to not more than 70% of Monthly Salary while such reductions are being made; provided further that (a) when such reductions cease, such percentage shall be reduced again to 60%, and (b) in no event will the monthly income benefits actually payable under this Plan exceed 60% of Monthly Salary.

Calculating Long-term Disability Benefit

- f. **Example #1: benefit without offsets.** If an Employee applies and is approved for a Long-Term Disability claim, benefits will be calculated as follows:

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 60%: \$3,000

The Employee's benefit amount would be \$3,000, if the Employee has no applicable offsets, assuming the benefit is not taxable.

- g. **Example #2: benefits with offsets.** If the Employee has applicable offsets, then the benefit would be calculated as follows:

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 70% : \$3,500
- Subtract the Worker's Compensation Benefit: \$1,000

The remaining amount of \$2,500 is the Employee's benefit amount, assuming that the benefit is not taxable.

- h. **Example #3: concurrent benefits.** If an Employee has Short-Term Disability and Long-Term Disability benefits paid concurrently, benefits would be calculated and paid as follows:

First, calculate the Short-Term Disability benefit

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 66%: \$3,300

The Employee's Short-Term Disability benefit would be \$3,300.

Next, calculate the Long-Term Disability benefit

- Start with the Employee's Monthly Salary: \$5,000
- Multiply Monthly Salary by 70%: \$3,500
- Subtract the Short-term Disability Benefit: \$3,300

The remaining amount of \$200 is the Long-Term Disability. However, the benefit would actually increase to 10% of the Employee's Monthly Salary, or \$500. See the minimum monthly benefit under the *Schedule of Specifications*.

Next, calculate the total benefit

The Employee would be paid the full Short-Term Disability benefit, \$3,300. The Employee would also be paid \$500 for the Long-Term Disability benefit.

In total, the Employee would be paid \$3,800, assuming that the benefit ~~isn't~~ is not taxable.

- E. If a lump sum payment is made for Total Disability under any state or federal act or law, the amount of such payment shall be divided by the number of months in the period of time for which such payment was issued and the result shall be considered as the monthly amount to be deducted from the disability benefits for those months.

In no case will the amount of benefits provided under this Plan be reduced because of:

1. For Short-Term Disability, any subsequent benefit increase under the Worker's Compensation Act or Employees Retirement System of Texas, and/or Teacher Retirement System of Texas, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System disability retirement occurring during the period of Total Disability of such Employee.

Notwithstanding, benefits payable under Section B above, when combined with all benefits paid or payable under:

- a. any applicable Worker's Compensation Act, disability retirement law; and
- b. the amount of pay provided or available under any group insurance plan of an Employer providing disability income benefits and further reduced by any amounts actually paid under the Employees Retirement System of Texas, and/or Teacher Retirement System of Texas, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System disability retirement benefits,

shall not exceed 70% of the Employee's Monthly Salary, nor be less than 10% of the Employee's Monthly Salary when combined with all specified sources.

2. For Long-Term Disability, any subsequent benefit increase under the Federal Social Security

Program, Worker's Compensation Act, or Employees Retirement System of Texas and/or Teacher Retirement System, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System of Texas disability retirement occurring during the period of Total Disability of such Employee.

Notwithstanding, benefits payable under Section C, above, when combined with all benefits paid or payable under:

- a. any applicable Worker's Compensation Act, disability retirement law;
- b. the full Social Security benefit to which an Employee is (or upon making timely and proper request and submitting due proof would be) entitled by reason of his or her Total Disability at the time of its commencement; and

the amount of pay provided or available under any group insurance plan of an Employer providing disability income benefits and further reduced by any amounts actually paid under the Employees Retirement System of Texas, and/or Teacher Retirement System of Texas, and/or Texas Municipal Retirement System, and/or Texas County and District Retirement System disability retirement benefits,

shall not exceed 70% of the Employee's Monthly Salary, nor be less than 10% of the Employee's Monthly Salary when combined with all specific sources. The 10% minimum is applicable for a maximum period of one year beginning from the disability benefit start date. At the expiration of the one-year period, benefits will reduce to 70% of the Employee's Monthly Salary less all other disability benefits available, but no minimum will be applicable.

Notwithstanding any Plan provisions above to the contrary, Total Disability benefits under this Article IV are not payable for any period of time during which the Employee is receiving, or is eligible to receive, benefits under sick leave, extended sick leave, donated sick leave and sickleave pool whether such leave is accrued prior to or subsequent to the onset of such Total Disability, with the exception for PPL maternity claims during the 2024 Plan Year. For more information regarding the waiting period for PPL maternity claims, please see the *Schedule of Specifications*.

- F.** Benefits are not payable for any period during which the Employee is confined to a penal or correctional institution if the period of confinement exceeds 30 consecutive days.
- G.** If an employee's salary is paid over a 9 month period (example, during the 9 months they work), benefits will be paid for the months that employee would receive a paycheck. If a 9 month employee receives their paycheck over a 12 month period, benefits would be paid based on the 12 month calculation.
- H.** In determining the reduction for any and all benefits as described above, the attorney's fees awarded and paid out shall be disregarded.
- I.** The Employee shall appeal claims for Social Security disability benefits throughout the Administrative Law Judge level. If the Employee fails or refuses to apply for Social Security disability benefits and Worker's Compensation or to appeal his or her claim through the Administrative Law Judge level, the TPA will in its discretion determine the amount by which to reduce benefits.

Article V. Limitations and Exclusions

Benefits shall not be payable for:

Any Total Disability of an Employee which begins during the first six months that the Employee's coverage is in force, that is caused or contributed to by, or is a consequence of, an Injury or Sickness for which the Employee received medical treatment, or services, or took prescribed drugs or medicines during the three-month period immediately before the effective date of such coverage. If the Employee was required to provide Evidence of Insurability as described in Article II above, the three-month period will be the three months immediately prior to the date the Employee's application for coverage was signed. This exclusion shall also apply to any coverage election made during Annual Enrollment or due to a QLE and is effective the first date such coverage would have been effective.

This exclusion shall not be applicable:

1. After the Employee has been Actively at Work for six complete and consecutive months following the effective date of coverage; or
 2. After the Employee's coverage has been continuously in force for 12 months; or
 3. Unless an Employee elected to continue coverage during Leave Without Pay status by paying premiums directly to ERS, upon reinstatement of an Employee's coverage which was suspended due to a Leave Without Pay status, provided that immediately prior to the effective date of such suspension the Employee had been Actively at Work for six complete and consecutive months or the Employee's coverage had been continuously in force for 12 months. If immediately prior to the effective date of such suspension either the Employee had not been Actively at Work for six complete and consecutive months or the Employee's coverage had not been continuously in force for 12 months, following reinstatement of coverage the Employee must complete the balance of any such period not previously satisfied before this exclusion will not be applicable.
- A. Any Total Disability, during which the Employee is not under the regular care and attendance of an Approved Practitioner, is not receiving appropriate care which meets national and community medical standards and/or is not following the treatment prescribed by an Approved Practitioner which would be expected to restore the Employee's ability to engage in compensated employment.
 - B. Any Total Disability resulting from war or any act of war, declared or not.
 - C. Any Total Disability resulting from injuries sustained or sickness occurring while the Employee is in the service of the armed forces of any country or international authority.
 - D. Any Total Disability resulting from intentionally self-inflicted injuries (occurring while the Employee is sane or insane).
 - E. Any Total Disability in excess of 24 months after the waiting period for Long-Term Disability, if such Total Disability is due to neuroses, psychoneuroses, psychopathies, psychoses, or any other

mental and emotional diseases or disorders of any type unless the Employee is confined due to the foregoing cause or causes in a hospital or institution licensed to provide care and treatment for such cause or causes, in which case benefits will continue until release from such hospital or institution, subject to the Maximum Benefit Period.

- F.** Any Total Disability in excess of 24 months after the waiting period for Long-Term Disability, if such Total Disability is due to a substance abuse disorder or a co-morbid condition resulting from a substance abuse disorder of any type unless the Employee is confined due to the foregoing cause or causes in a hospital or institution licensed to provide care and treatment for such cause or causes, in which case benefits will continue until release from such hospital or institution, subject to the Maximum Benefit Period
- G.** Benefits are not payable for any period during which the Employee is confined to a penal or correctional institution if the period of confinement exceeds 30 days.
- H.** Any disability income benefit provided by Short-Term Disability and/or Long-Term Disability for which the Employee has not applied or is not making his or her required contribution at the time of his
- I.** Any Total Disability caused by, resulting from or contributed to by any Sickness or Injury which occurs while the Employee is engaged in any type of felonious activity, or which results from, arises out of or is related to, any type of felonious activity in which the Employee is or was engaged. Conviction of a felony is not necessary for a determination of a loss resulting from felonious activity.
- J.** Any Total Disability caused by, resulting from or substantially contributed to by the Employee being intoxicated by reason of alcohol or drug use, or a combination thereof. "Intoxication" shall have the meaning assigned in Section 49.01, Texas Penal Code, as may be amended. Conviction of a crime related to intoxication is not necessary for a determination of loss resulting from intoxication. This exclusion is applicable whether or not the loss is related to the operation of a motor vehicle.
- K.** Any Total Disability resulting from Sickness or Injury which results from the Employee being an organ donor.
- L.** Any Total Disability resulting from cosmetic procedures, which are procedures or services that change or improve appearance without significantly improving physiological function, as determined by the Plan.
- M.** Any Total Disability in excess of 24 months after the waiting period unless the Employee is physically or mentally unable to hold any position offering comparable pay. The Employee's education, training, and experience must be considered when making a determination of incapacity under this definition. "Comparable pay" means 80 percent (80%) or more of the Employee's final covered employment base pay before deductions for taxes or deferred compensation under state and federal law, including any longevity or hazardous duty pay, but excluding the monetary value of any insurance or retirement benefits. Comparable pay may be adjusted by Plan to account for adjustments in the Employee's pay rates.

Article VI. Termination of Disability Income Coverage

- A.** This entire Plan may be terminated by the Trustee at anytime.
- B.** The coverage of any Employee under the Plan shall automatically terminate immediately upon the earliest of the following dates:
1. The end of the Plan month in which the Employee's employment terminates with the Employer, or the date of termination of his or her membership within the eligible classes;
 2. The death of the Employee;
 3. The date of termination of the Plan;
 4. The date of expiration of the last period for which the Employee has made any required contribution for his or her coverage, except as provided under Article III, Section D;
 5. The end of the Plan Month in which the Employee retires;
 6. The date the Employee is expelled from the Texas Employees Group Benefits Program or the Plan as provided by Section 1531.351 of the Texas Insurance Code.
- C.** The Employee's claim under the Plan shall automatically terminate immediately upon the earliest of the following dates:
1. The date Employee ceases be Totally Disabled;
 2. The death of the Employee;
 3. The date the Maximum Benefit Period ends.

Article VII. General Provisions

- A. Claim Forms:** The Employee must contact the Third Party Administrator (TPA), currently Alight Solutions LLC (Alight) by calling (855) 604-6230 (TDD – 711) or by visiting texasincomeprotectionplan.com to initiate the disability claim intake process. Once the intake is completed, the TPA will send the Employee an Acknowledgement packet with the disability claim form and a Disclosure Authorization. The Employee must submit the claim form to his or her Benefits Coordinator or applicable point of contact to complete the Employer section.
- B. Amendments and Termination**
1. As used in this Plan Document, "herein," "hereof," and "hereunder" refer to the Plan Document in its entirety. Whenever a personal pronoun in the masculine gender is used, it shall be deemed to include the feminine also, unless the context clearly indicates the contrary.
 2. The Trustee expressly reserves the right to terminate, modify or amend the Plan at any time and from time to time, in its discretion and without the consent of the Employees covered hereunder or their beneficiaries.
- C. Claim Denials and Appeals:** If your Short-term or Long-term Disability Insurance claim for benefits is reduced or denied, you may file a first level appeal by submitting a written request with additional information about your claim to TIPP Customer Care at Alight:

USPS Mail

TIPP Customer Care at Alight
P. O. Box 299093
Lewisville, TX 75029-9093
Fax: 1-847-554-1853

Or,

Overnight Mail

DEPT 00058
2671 Edmonds Ln STE 200
Lewisville, TX 75067

If you have any questions on a claim denial or appeal, please contact TIPP Customer Care at Alight at (855) 604-6230 (TDD 711) or toll-free at 1-855-604-6230.

The first level appeal must be filed with the TPA within 90 days from the date of the letter issued by the TPA notifying you of the denial or reduction.

Following the first level appeal, if the claim is again denied, the TPA will send you a letter with instructions describing how to file a second level appeal with the Employees Retirement System of Texas. If you desire to file a second level appeal, you must send your written request to ERS, along with copies of all correspondence from the TPA and any other related information.

Your written request to ERS for a second level appeal must be postmarked or received by ERS no later than 90 days following the date of TPA's letter to you notifying you of your right to a second level appeal. ERS will send you a decision in writing.

- D. Disclosure Authorization:** Before coverage may become effective, each Employee applying for coverage that requires the submission of Evidence of Insurability must execute express written authorization to permit any Employer, Employing Office, Approved Practitioner, other medical practitioner, medical facility, hospital or insurance company to furnish the Underwriter full information and records or copies of records relating to the diagnosis, treatment or care relating to his or her disability and any information related to Employee's employment. Before any claim for benefits may be processed for any covered Employee, such Employee must execute express written authorization to permit any Employer, Employing Office, Approved Practitioner, other medical practitioner, medical facility, hospital or insurance company to furnish the TPA full information and records or copies of records relating to the diagnosis, treatment or care relating to his or her disability and/or employment.
- E. Incontestability:** The coverage provided by the Plan shall be incontestable after it has been in force for two years from the effective date of coverage except for nonpayment of premium and except if coverage has been obtained through fraud, attempted fraud or misrepresentation. In the absence of fraud, attempted fraud or misrepresentation, no statement made by any person covered under this Plan relating to his or her insurability shall be used in contesting the validity of the coverage with respect to which such statement was made after such coverage has been in force prior to the contest for a period of two years during such person's lifetime nor unless it is contained in a written instrument signed by him or her; provided, however, this provision shall not limit any defense of such claim based on provisions in the Plan (a) relating to eligibility for coverage, (b) relating to relation of earnings to coverage, or (c) limiting the amounts of recovery from all sources to no more than 100% of the total actual losses incurred.
- F. Legal Actions:** No action at law or in equity may be brought to recover under this Plan prior to the expiration of 60 days after written proof of Total Disability has been filed in accordance with the requirements herein, and no such action shall be brought at all unless brought within two years from the expiration of the time within which written proof of disability is required to be furnished by this Plan. Nothing herein shall be deemed to constitute a waiver of the defenses and protections afforded the TPA and ERS by Chapter 1551, Texas Insurance Code and/or Chapter 2001, Texas Government Code and other applicable law.
- G. Nonassignability:** The coverage and any benefits provided hereunder are not assignable.
- H. Notice of Claim:** Written notice of claim must be given to the TPA within 12 months after the occurrence of any disability covered by this Plan.
- I. Proof of Total Disability:** Written proof of Total Disability must be furnished to the TPA within the 12 months after the date of Total Disability, and subsequent written proofs of the continuation of Total Disability must be furnished to the TPA at such intervals as the TPA may reasonably require. Failure to furnish proof of Total Disability within the time required shall not invalidate or reduce any claim if it was not reasonably possible to furnish such proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity of the Employee, later than one year from the time such proof is otherwise required. The TPA is not

required to show prejudice to the Plan in order to deny a claim for which proof of Total Disability has not been timely filed.

- J. Subrogation:** This provision applies when another party (person or organization) is or may be considered responsible for payment because of an Employee's Sickness or Injury resulting in the Employee's Total Disability for which benefits under the Plan have been provided.

To the extent of benefits provided hereunder, the Plan is subrogated to all third-party rights of recovery the Employee has, and the Plan may assert such rights independent of the Employee. Also, if the Employee has obtained or obtains a court judgment, settlement, arbitration, award, or other monetary recovery from a third party because of the Sickness or Injury resulting in the Employee's Total Disability, the Plan is entitled to reimbursement from the proceeds of recovery to the extent of benefits provided hereunder up to the maximum amount allowed by Texas law. If a recovery is made, the Plan shall have first priority over the Employee or any other party to receive from said recovery reimbursement of the benefits the Plan has provided. This priority shall apply and reimbursement shall be required:

1. Even though the third-party payment does not compensate the Employee for his or her whole loss;
2. Whether or not liability for payment is admitted by the third-party;
3. Whether or not such recovery is itemized or called anything other than a recovery for medical expenses incurred; and
4. From any recovery that is subject to subrogation under Texas law.

The Employee is obligated to cooperate with the Plan to protect its subrogation rights and shall not prejudice the Plan's right of recovery and reimbursement. Failure to cooperate with the Plan or prejudice to the Plan's rights shall occur if the Employee fails to:

1. Complete a third-party information report, naming, among other things:
 - a. The party who may be considered responsible for the Sickness or Injury resulting in the Employee's Total Disability;
 - b. Any current or anticipated third-party litigation, settlement, negotiations, or other coverage;
 - c. The name, address, and telephone number of any attorney retained by the Employee to prosecute a third-party claim;
 - d. The name, address, and telephone number, claim number, and/or policy number, as known to the Employee, of any insurance companies insuring the third-party or others liable for payment to the Employee on account of his or her Sickness or Injury resulting in his or her Total Disability;
2. Give statements and provide information about the other parties or the Sickness or Injury resulting in Employee's Total Disability when requested by the Plan;
3. Execute and deliver any other documents or do whatever else the Plan reasonably requires to secure its rights of subrogation;
4. Obtain the Plan's consent prior to releasing the third-party from liability for payment of medical expenses; or

5. Reimburse the Plan when a recovery is made from any third-party source as a consequence of third-party negligence or other actions.

In the event that the Employee fails to cooperate with the Plan or prejudices its subrogation rights, the Plan may deduct, up to the maximum amount allowed by Texas law, from any pending or subsequent benefits payable under the Plan any amounts the Employee owes the Plan until such time as cooperation is provided or the prejudice ceases. In addition, the Plan may terminate the Employee's benefits, subject to reinstatement after the Employee fully complies with his/her obligations as provided herein.

Except as expressly provided by Texas law, neither the Employee nor any beneficiary hereunder shall incur any expenses on behalf of the Plan in pursuit of the Plan's rights hereunder; specifically, no court costs or attorney's fees may be deducted from the Plan's recovery without the prior express written consent of the Plan. This right shall not be defeated by any so-called equitable or common law "Fund Doctrine," or "Common Fund Doctrine," or "Attorneys Fund Doctrine."

The Plan shall recover the maximum amount allowed by Texas law of the benefits paid hereunder without regard to any claim of fault on the part of the Employee or any beneficiary, whether under comparative negligence or otherwise.

As used in this Article VII, "Texas law" means Tex. Civ. Prac. & Remedies Code Chapter 140.

Note: The subrogation rights and obligations under the Plan shall be governed by Texas law regardless of where the Employee resides or whether the injury occurs in or outside the state of Texas.

- K. Time of Payment of Claims:** Subject to due written proof of Total Disability, all accrued Monthly Income benefits for which this Plan provides periodic payment will be paid monthly as applicable under the Schedule of Specifications and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof of Total Disability.
- L. Recovery of Overpayments:** In addition to all rights and remedies provided by law, this Plan shall be entitled to recover against an Employee all overpayments of benefits to the Employee regardless of any prior consent by the Plan to pay benefits. The Employee waives the defenses of estoppel and mistake in any legal action to collect an overpayment of benefits. Venue and jurisdiction for such collection actions shall be in state district court in Travis County, Texas.
- M. Employment During Period of Total Disability:** The Employee is required to notify the Plan within thirty days if, during any period of Total Disability (own occupation and/or any occupation), the Employee is, or becomes, employed in any capacity, whether part-time or full-time. The Plan, in its sole discretion, shall determine based on a review of the circumstances, which may include the type of employment, amount earned and medical reports, whether such employment will result in a loss of disability income benefits.

Article VIII: Definitions

Article I provides definitions of the terms used throughout this Master Benefit Plan Document (MBPD). This Article defines terms used throughout this MBPD, but it does not describe the Benefits provided by the Plan.

- A. **Act** means the Texas Employees Group Benefits Act (Chapter 1551, *Texas Insurance Code*).
- B. **Actively at Work, Active Work, Active Service or Active Duty** means the active expenditure of time and energy in the service of the Employer, except for elected officials of the state of Texas who qualify under the Act. An Employee will be considered to be on Active Duty on each day of a regular paid vacation or regular paid sick leave, or on a regular nonworking day, provided he or she was Actively at Work on the last preceding working day. For purposes of this document only, an Employee will be considered Actively at Work even though the Employee is on Leave Without Pay status, if the Employee kept disability coverage in force without interruption through the timely payment of premiums.
- C. **Annual Enrollment** is the period of time during which eligible Employees may enroll themselves in the Plan. ERS determines the Annual Enrollment period. Evidence of Insurability will apply for enrollment during Annual Enrollment.
- D. **Application** is the enrollment form for long-term and/or short-term disability group benefits (coverage) in the Texas Income Protection Plan (TIPP) available under the Group Benefits Program.
- E. **Approved Practitioner** means a person who provides medical service and care within the scope of his or her licensure and training which is consistent with the national and community medical practice standards and when acting within the scope of his or her license (other than a hospital resident or intern), who is a Doctor of Medicine or Osteopathy or a Clinical Psychologist.

The term Approved Practitioner shall not be deemed to include a Doctor of Chiropractic, a Doctor of Dentistry, a Doctor of Optometry, a Licensed Audiologist, a Licensed Chemical Dependency Counselor, a Licensed Hearing Instrument Fitter and Dispenser, a Licensed Dietitian, a Licensed Marriage and Family Therapist, a Licensed Speech-Language Pathologist, a Doctor of Podiatry, a Physician Assistant, a Licensed Occupational Therapist, a Licensed Physical Therapist, a Licensed Acupuncturist, a Licensed Psychological Associate, a Licensed Surgical Assistant, or any other practitioner not expressly listed herein as an Approved Practitioner.

An acute and temporary Total Disability may be certified or attested to by a Doctor of Podiatry licensed by the Texas State Board of Podiatric Medical Examiners if the acute and temporary Total Disability is caused by a sickness or injury that may be treated within the scope of the license of such Doctor of Podiatry. Such terms as used herein shall have the meaning assigned to them by the *Texas Insurance Code*.

- F. **Employee** means an individual eligible to participate in the Group Benefits Program under Chapter 1551, *Texas Insurance Code*, as provided in Section 1551.101 in that chapter.
- G. **Employer** means the state of Texas and all of its agencies, certain political subdivisions or Institutions of Higher Education, as defined herein or in the Act that employ or employed an Employee.
- H. **Employing Office** means the Employee's employing State Agency.
- I. **Evidence of Insurability** means such evidence, provided at no expense to ERS or the Underwriter, including medical records and a physical examination, as may be required by the Underwriter to determine

that the Employee for whom coverage is sought is an acceptable risk for issuance of new coverage, required pursuant to the Rules of the Board of Trustees of the Employees Retirement System of Texas. The Underwriter must review the Evidence of Insurability and approve coverage before such coverage becomes effective.

- J. Full-Time Employee** means a Full-time employee as defined by Section 1551.003 of the Act.
- K. Fund** means the Employees Life, Accident, and Health Insurance and Benefits Fund created by the Act, which is administered by the Trustee.
- L. Group Benefits Program** means the state employees group benefits program provided by Chapter 1551, *Texas Insurance Code*.
- M. Injury** means bodily injury which is the direct result of an accident and not related to any other cause while both this Plan and the Employee coverage under this Plan are in force, where the bodily injury is the basis of a Total Disability claim, except as limited or excluded by the provisions of this Plan.
- N. Institution of Higher Education** means a public junior college, a senior college or university, or any other agency of higher education within the meaning and jurisdiction of Chapter 61, Texas Education Code. It does not include an entity in The University of Texas System, as described in Section 65.02, Texas Education Code, or an entity in The Texas A&M University System, as described in Subtitle D, Title 3, Texas Education Code, including the Texas Veterinary Medical Diagnostic Laboratory.
- O. Leave Without Pay** means the status of an Employee who is certified by a department administrator to be absent from duty for an entire calendar month, who does not receive any compensation for that month, and who has not received a refund of retirement contributions based upon the most recent term of employment. For purposes of this document only, an Employee will be considered Actively at Work, even though the Employee is on Leave Without Pay status, if the Employee kept disability coverage in force without interruption through the timely payment of premiums.
- P. Monthly Salary** means the monthly earnings payable for work performed as an Employee of the state of Texas, including longevity, hazardous duty pay or benefit replacement pay, payable to an Employee by the Employer, excluding overtime, bonuses, and any other extra compensation, as of the Employee's first day of Active Duty, or previous September 1 if continuously employed on and since that date, up to the maximum for the Short-Term Disability Plan or the Long-Term Disability Plan. The maximum Monthly Salary for the Short-Term Disability Plan shall be \$10,000.00. The maximum Monthly Salary for the Long-Term Disability Plan shall be \$10,000.00. Non-salaried elective or appointive officials and members of the legislature may use the Monthly Salary as a state district judge or their actual Monthly Salary as an Employee of the state of Texas as of September 1 of each year.
- Q. Part-Time Employee** means a Part-time employee as defined by Section 1551.003 of the Act.
- R. Paid Parental Leave (PPL)** means the benefit established under SB 222 by the 88(R) Texas Legislature whereby certain state employees are provided with up to 40 days of paid leave following the birth of a child.
- S. Plan** means the Texas Income Protection Plan (TIPP).
- T. Plan Administrator** means the Employees Retirement System of Texas (ERS) or its designee.

- U. **Plan Anniversary** means the month, day and year specified in the Schedule of Specifications, and the corresponding date each year thereafter for as long as the Plan is in force.
- V. **Plan Document** means the Master Benefit Plan Document for the Texas Income Protection Plan.
- W. **Plan Effective Date** means September 1, 2013.
- X. **Plan Month** means each succeeding monthly period beginning on the Plan Effective Date.
- Y. **Plan Year** means September 1 through August 31 and each succeeding 12-month period beginning on the Plan Effective Date.
- Z. **Premium Contributions** are required to maintain coverage under the Texas Income Protection Plan.
- AA. **Qualifying Life Event (QLE)** means a life experience occurrence that allows an Employee to change Employee's disability coverage during a Plan Year, provided that the change in coverage is consistent with the life event. For purposes of this Plan, the following are considered a QLE allowing an employee to add or terminate coverage: a change in marital status, change in dependent status, a change in employment status and a significant cost of benefits or coverage change imposed by a third party. For those QLEs allowing the addition of Employee disability coverage due to a QLE, Evidence of Insurability is required.
- AB. **Rule or Rules** means those rules adopted by the Board of Trustees of the Employees Retirement System of Texas pursuant to the Act.
- AC. **Schedule of Specifications** means the Schedule of Specifications which may be amended from time to time.
- AD. **Sickness** means illness (including maternity) which causes Total Disability, commencing while both this Plan and the Employee coverage under the Plan are in force, as to the Employee whose Sickness is the basis of a Total Disability claim, except as limited or excluded by the provisions of this Plan.
- AE. **State Agency** means a commission, board, department, division, Institution of Higher Education, or other agency of the state of Texas created by the constitution or statutes of this state. The term also includes the Texas Municipal Retirement System, the Texas County and District Retirement System, the Teacher Retirement System of Texas and the Employees Retirement System of Texas.
- AF. **Third Party Administrator (TPA)** means the company that, with its affiliates, provides certain services and claim administration services for the Plan on behalf of the Plan Administrator.
- AG. **Total Disability** means, for the first 24 months (if applicable, refer to the *Schedule of Specifications* for details about maximum benefit periods) for which disability income benefits are payable hereunder, the inability of a covered Employee to perform the usual tasks of his or her occupation in such a way as to procure and retain employment [own occupation] due to an Injury or Sickness established by medical evidence based on objective clinical findings using current American Medical Association guidelines and certified by an Approved Practitioner. After benefits have been paid for 24 months (if applicable) of continuous disability, Total Disability shall mean that a covered Employee is incapacitated for the further performance of duty if the Employee is physically or mentally unable to hold any position offering

comparable pay [any occupation]. Refer to Article V., Section E for information about the Maximum Benefit Period for those Employees whose Total Disability is a result of neuroses, psychoneuroses, psychopathies, psychoses, or any other mental and emotional diseases or disorders. Article V., Section F provides information about the Maximum Benefit Period for Employees whose Total Disability is a result of substance abuse disorder or a co-morbid condition resulting from a substance abuse disorder of any type.

The Employee's education, training, and experience must be considered when making a determination of incapacity under this definition. "Comparable pay" means 80 percent or more of the Employee's final covered employment base pay before deductions for taxes or deferred compensation under state and federal law, including any longevity or hazardous duty pay, but excluding the monetary value of any insurance or retirement benefits. Comparable pay may be adjusted by the Plan to account for adjustments in the Employee's pay rates.

- AH. Trustee** means the Board of Trustees of the Employees Retirement System of Texas.
- AI. Underwriter** means the company that provides underwriting services for the Texas Income Protection Plan on behalf of the Employees Retirement System of Texas, or any successor underwriter named by the Plan.
- AJ. Waiting Period** means the number of consecutive days of Total Disability at the beginning of any one period of disability during which no benefits are payable hereunder. The Waiting Period begins when the date the Total Disability is established by medical proof, which must include, but is not necessarily limited to, a certification by an Approved Practitioner. The Waiting Periods for Short- Term Disability and Long- Term Disability are described in the Schedule of Specifications below.