

## Podcast Transcription

### Fly by Night Episode 11: Captain Ben Douglas FedEx MEC LTD

**Captain Chris Lee** My guest today is Captain Ben Douglas, R&I committee chairman. Thanks for coming back to the podcast Ben.

**Captain Ben Douglas** It's good to be back Chris.

**Captain Chris Lee** Let's talk about our long term disability options. What can you tell me about the FedEx MEC LTD?

**Captain Ben Douglas** Chris, the FedEx MEC LTD plan is unique. We are the only ALPA carrier that has its own LTD plan with respect to supplementing the corporate sponsored plan on an annual basis. It is designed to again supplement the corporate sponsored plan where it will at least help maintain a certain quality of life. It's very important that people understand that this benefit's available only if you sign up for it. It's an optional plan. It can greatly improve a pilot's annual income.

**Captain Chris Lee** A person who's going on LTD, that's a pretty stressful event. This person is going through tough times and one of those is gonna be financially. This FedEx MEC LTD plan supplements the company plan to try and improve a pilot's quality of life and maintain some financial security while they're going through a difficult time in their career.

**Captain Ben Douglas** That's correct. If you look at it from an uncapped potential of 17 percent, if you're on the higher end of years of service and say for example you're a wide body Captain you could quite possibly supplement your income by over 50 thousand dollars getting you close to the lifestyle that you were used to living and maintaining during your working period.

**Captain Chris Lee** With all the new hires coming on this is probably something that's easy to miss.

**Captain Ben Douglas** It is, when you're young you think you're invincible you don't realize that, you know, long term disability should be a part of the financial planning equation. But studies have shown that you're more apt to use long term disability than you actually would using life insurance during your working career.

**Captain Chris Lee** Has this plan been popular with the pilots?

**Captain Ben Douglas** It's been very popular. We have over half of the pilot group that's enrolled in the plan right now.

**Captain Chris Lee** And the R and I committee, you guys have heard from pilots who have had the ability to take advantage of this LTD program and are very happy that they did.

**Captain Ben Douglas** That's correct. We have testimonials of guys and gals out there that swear by this plan. They have been able to maintain their quality of life, provide for their family and not have to sweat the financial burden during their time of illness.

**Captain Chris Lee** What can you tell us about the company plan?

**Captain Ben Douglas** FedEx corporate long term disability plan is obviously a corporate sponsored plan. You're automatically enrolled in the plan. You're eligible after 180 days of active cumulative service. The benefits begin after the exhaustion of both sick banks. That's the RSA and the DSA also known as the regular sick bank and the disability sick bank. The pilot also has the option to use any remaining vacation before starting long term disability. The benefit for occupational disability equals 60 percent of eligible earnings for the first 24 months. Then it tiers down to 50 percent of eligible earnings until age 65 or until the individual returns to service.

**Captain Chris Lee** Is there a cap?

**Captain Ben Douglas** There is a cap. The eligible earnings is limited to the IRS compensation limit of two hundred eighty thousand dollars for 2019 and it's indexed annually and applied on a fiscal year basis.

**Captain Chris Lee** Why don't you give us some specifics on the FedEx MEC LTD plan.

**Captain Ben Douglas** The plan provides a benefit of 17 percent of your pre disability earnings. There's a 14 month window to enroll in the plan without having to show what's called an EOI, that's evidence of insurability. So, there's 14 months there and what that does is it allows new hires for example to enter into second year pay and then really see the value add of participating in the plan and seeing how much supplemental income it could provide long term.

**Captain Chris Lee** What happens to the pilot that wants to sign up for this LCD insurance after the 14 month window?

**Captain Ben Douglas** OK, Chris in that situation the pilot is still eligible to enroll. They'll just have to provide evidence of insurability.

**Captain Chris Lee** So any pilot can enroll in the plan just after 14 months they have that EOI issue?

**Captain Ben Douglas** That's correct.

**Captain Chris Lee** That's why it's important for pilots on the property especially new hires to know that this FedEx MEC LTD is available so they can go ahead and sign up early and avoid the EOI issue.

**Captain Ben Douglas** The sooner you get it in the less complicated it'll be down the road for them.

**Captain Chris Lee** What is the 17 percent benefit based on?

**Captain Ben Douglas** It's based on pre-disability income.

**Captain Chris Lee** And, what is that?

**Captain Ben Douglas** Pre-disability income is the average of the 12 calendar months of income prior to the date of disability. This includes income that you normally incur outside of things like relocation expenses, per diem, taxable and non-taxable, vacation buyback and tax equalization. This is different than the pre-disability income used for the FedEx corporate plan. The company's plan uses the average of the highest twelve consecutive months in a 36 month look back from the date of disability.

**Captain Chris Lee** And, with this plan is there a waiting period or does it start right when you go out?

**Captain Ben Douglas** There is a waiting period for this plan. It's the benefit qualifying period is what it's formally called. There's two options, you have a 12 month waiting period or a 24 month waiting period that starts from the first day of disability. The benefit will begin at the end of the benefit qualifying period either 12 or 24 months or the exhaustion of the pilot's sick banks, whichever is later.

**Captain Chris Lee** So the premiums on the 12 month waiting period are going to be more than the premiums for the 24 month period.

**Captain Ben Douglas** That's correct. It's going to be paying out sooner. It's age banded so depending on your age demographic you would be paying more in premiums.

**Captain Chris Lee** What do you mean by age banding?

**Captain Ben Douglas** So there's four age banded tiers within the plan both for the 12 month and the 24 month. And if you're in the younger band you'd be paying a lower premium amount on a monthly basis for both plans. But if you took option one for the 12 month election period you would pay more in premiums because you'd be receiving that benefit sooner.

**Captain Chris Lee** So with the 17 percent benefit that the FedEx MEC LTD plan has are there any caps or limits associated with that 17 percent?

**Captain Ben Douglas** So the only limit associated with our plan is the maximum annual income limit of just over a million dollars. Unlike the corporate sponsored plan that has an IRS limit associated to it which is two hundred eighty thousand dollars for 2019. So, in other words if you made three hundred and fifty thousand dollars then three hundred fifty thousand dollars of 17 percent would go towards your supplemental benefit where in the corporate sponsored plan it would be capped at two hundred and eighty thousand.

**Captain Chris Lee** We'll Ben, thanks again for coming today. Is there anything else you'd like to add about this FedEx MEC LTD plan?

**Captain Ben Douglas** Yeah just a couple of things, parting thoughts. First, the benefit is free of federal income taxes. So, unlike the corporate sponsored plan where you're going to be paying federal income tax on that plan there are no federal taxes on the FedEx MEC LTD plan. The next thing I'd like to mention is the cost of living adjustment. So, there's a cost of living adjustment. That's a 3 percent increase, happens on January 1st following 12 months of being on the plan and you're eligible for five Cost of Living Adjustment increases during the time that you're on the plan and then the last thing that I'd just like to touch on is the survivor benefit the survivor benefit covers three times the final monthly benefit to the beneficiary that you provide.

**Captain Chris Lee** If anybody has any questions about this FedEx MEC LTD plan how would you like them to contact you?

**Captain Ben Douglas** So you can reach out to us via PDR select retirement and insurance. We can get your information there or you can call the ALPA office and speak to Brandy or Ann. They'd be glad to help you or you could email myself or anyone else on the committee.

**Captain Chris Lee** Thanks Ben and for everyone out there listening we appreciate you taking the time to listen to our podcast. If you have any questions or topic ideas please send us an e-mail at [fdxpodcast@alpa.org](mailto:fdxpodcast@alpa.org) and as always be safe out there and we'll see you next time.