

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702**

CORRESPONDENCE MEMORANDUM

DATE: May 16, 2002

TO: Group Insurance Board

FROM: Audrey Koehn, Director
Disability Programs Bureau

SUBJECT: Revision to Computation of State Income Continuation Insurance (ICI)
Short-Term Benefit Daily Rate and Revisions to Both State and Local ICI for Date
of Monthly Payment – 6th Amendment

Staff recommends that the Board approve the following changes to the State and Local ICI plans and the Sixth Amendment to the Administrative Services Contract between the Board and CORE, INC. effective June 4, 2002 for all current and future claimants.

The primary differences between short-term and long-term ICI benefits are a change in the definition of disability (short-term benefits are available to individuals disabled from their own occupation while long-term benefits require the individual to be disabled from any occupation), and the frequency of benefit payments.

The current State ICI plan language establishes the short-term ICI biweekly benefit at a slightly lower daily rate when the benefit period requires proration than the long-term ICI benefits (less the \$75.00 add-on benefit for long-term disabilities). The proposed change would require that short-term ICI daily rate benefits be computed at the same daily rate as long-term ICI benefits (without the \$75.00 add-on). Long-term benefit claimants will continue to receive the \$75.00 add-on benefit which is prorated as necessary when transition occurs.

For example: State ICI claimant earns a salary of \$1,500 biweekly (80 hours)

Under the current calculation method, the short-term ICI daily rate is calculated as:

$\$1,500 \times 75\% = \$1,125$ biweekly benefit
 $\$1,125 / 14 = \80.36 daily rate

Under the current calculation method, the long-term ICI daily rate is calculated as:

$\$1,500 \times 75\% = \$1,125$
 $\$1,125 \times 2.175 = \$2,446.88$ monthly benefit
 $\$2446.88 / 30 = \81.56 daily rate

The proposed revision will use the calculation method of the long-term benefit to determine the daily rate for all benefits. This will, in all cases, result in a slightly higher daily rate. We have confirmed with the actuary that this proposed change will not have a significant impact on the funding status of the plan.

If approved, staff will direct CORE to begin using this methodology for all current and future benefit calculations.

In addition to the proposed daily rate calculation change for biweekly benefits, § 2.16 plan language for both the State and Local Plan is being revised to reflect the current practice of paying claimants on the first of the month following the previous month's ICI benefit period. The current plan language indicates that these benefits are to be paid at the end of each month, but to avoid the added administrative burden of an additional payroll date, all benefits have been routinely paid on the first of the month.

Attachment A, section 2.16 (6) is amended to read:

2.16 BENEFIT PAYMENTS

(6) Benefits for CLAIMANTS on a biweekly salary schedule will be paid at the end of each biweekly period and CLAIMANTS on a monthly salary schedule will be paid on the first of the month following the previous month's benefit period.

Attachment A, Section 2.16 (7) and (8) are created to read:

(7) Benefits paid for each day of the benefit period which are less than the defined period, whether biweekly or monthly, will be paid at one-thirtieth (1/30) of the monthly benefit.

(8) After twelve months of disability, all payments will be made monthly, with checks dated the first of the month after the previous month's benefit period.

Attachment B, section 2.16 (4) is amended to read:

(4) Benefits will be paid monthly with checks dated the first of the month for the previous month's benefit period, and at one-thirtieth (1/30) of the monthly benefit for each day of the benefit period less than one month.