



STATE OF WISCONSIN  
Department of Employee Trust Funds

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**CORRESPONDENCE MEMORANDUM**

**DATE:** January 28, 2004  
**TO:** Group Insurance Board  
**FROM:** Audrey Koehn, Director  
Disability Programs Bureau  
**SUBJECT:** Implementation of Revised Income Continuation Insurance (ICI) Monthly  
Maximum Benefit and Premiums Payments

Recommendation

Staff requests that the Board approve raising the monthly maximum ICI benefit to \$7,500.00 with the employee paying the entire premium above the current \$4,000.00 per month maximum. A \$7,500.00 maximum would cover an annual salary of \$120,000.00. This will require a minimum implementation period of six (6) months. Staff proposes to bring a plan amendment before the Board at the June 2004 meeting, with a recommended effective date for the additional coverage of September 1, 2004.

Background

At the April 1998 meeting, the Board approved the concept of allowing employees whose salary exceeded \$64,000.00 per year to have coverage above the \$4,000.00 per month ICI maximum. Further, the Board recommended that employees who chose this would to pay the entire premium to insure the salary above the maximum benefit. The Department has been contacted by the University System and State agencies such as the State Investment Board and Department of Transportation about securing a supplemental income replacement policy. Such a policy would be an offset to the ICI plan. These employers have considered offering a separate, stand-alone, income replacement policy that would be offered to those with salaries above \$64,000. These employees would then likely disenroll from the ICI plan.

At the November 2003 Board meeting, staff provided a schedule developed by the actuary to accommodate a maximum monthly benefit level of \$6,000.00 and \$7,500.00 and the associated premiums. Staff recommends raising the maximum level to \$7,500.00 with the employee paying the entire premium above the \$4,000.00 level. This is based on the actuary's analysis that those employees who are in the higher salary brackets are less likely to become disabled and have more sick leave saved.

The Office of State Employment Relations (OSER) has estimated that there are 2,440 employees (central payroll) who earn more than \$64,000.00 per year, and the University System has indicated there are 4,288 employees who earn more than \$64,000.00 per year.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature \_\_\_\_\_

Date \_\_\_\_\_

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Assuming the majority of these individuals have ICI coverage, this would potentially affect 12% of the State employees currently covered under ICI.

### Discussion

ICI coverage above the \$4,000.00 per month level would be entirely voluntary. If an employee who earns more than \$64,000.00 per year would desire the additional coverage, this would be achieved as illustrated in the following examples:

#### Example 1:

Individual salary is \$75,000.00 per year and is in ICI premium category 1 (less than 184 hours of accumulated sick leave).

Monthly salary equates to \$6,250.00

Employer share: \$0.00

Employee share: \$52.01 per month to cover \$75,000.00

Employee share: \$44.51 per month to cover \$64,000.00

#### Example 2:

Individual salary is \$75,000.00 per year and is in ICI premium category 4 (at least 520 hours of accumulated sick leave but less than 728 hours).

Monthly salary equates to \$6,250.00

Employer share: \$13.51 (for \$5,333.00 monthly salary)

Employee share: \$6.88 per month to cover \$75,000.00

Employee share: \$3.98 per month to cover \$64,000.00

#### Example 3:

Individual salary is \$75,000.00 per year and is in 90 day elimination period and more than 1 year of State service (UW faculty plan)

Monthly salary equates to \$6,250.00

Employer share: \$14.35 (for \$5,333.00 monthly salary)

Employee share: \$9.88 per month to cover \$75,000.00

Employee share: \$6.38 per month to cover \$64,000.00

It is expected that implementation of this optional coverage would take a minimum of six months. This is based on the following considerations:

- Changes needed to Central payroll, UW and UW-Hospital payroll systems as well as those not connected through Central payroll
- Communications to affected employees
- Enrollment process
- Employer education
- Premium processing
- Taxability of benefits based on employee/employer share