



STATE OF WISCONSIN
Department of Employee Trust Funds

Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: August 13, 2004
TO: Group Insurance Board
FROM: Audrey Koehn, Director
Disability Programs Bureau
SUBJECT: **REVISED** - State and Local Income Continuation Insurance (ICI) Plan
Amendment to Comply with 2003 Wis. Act 162 – Military Leave

Recommendation

Staff recommends that the Board approve the attached amendment to the State and Local ICI plans to bring the plans into compliance with Wis. Act 162.

Background

Wis. Act 162 was published on March 30, 2004 and applies to State employees activated for military service on or after January 1, 2003. Under the bill, State employees who are activated to serve military duty in the U.S. armed forces are paid their State salary, less any military pay and housing allowances they receive. If the military pay and housing exceeds the State salary, then no payments are made. The law further allows the State employee to accumulate sick leave and vacation as though they were still rendering services to the State employer. The intent of the law is to make the State employee whole with no loss of benefits while in active service.

The ICI plan provisions address coverage and benefits for an individual on unpaid leave of absence. With the enactment of Wis. Act 162, the State employee is no longer considered on an unpaid leave of absence.

Although the law only addresses State employees at this time, staff recommends that this also be applicable to the Local ICI plan.

Discussion

The Department convened a workgroup to discuss the effects of Wis. Act 162 and how to implement this new law as it affects the ICI plans. The focus was that the paid military leave of absence should be treated the same as unpaid leave of absence as long as the employee did not terminate their employment. The workgroup developed the following recommendations:

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

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1. Initial coverage

Since the employee is reported to the Wisconsin Retirement System (WRS) as on paid leave while on active military leave, the employee may meet the six (6) months eligibility criteria for ICI coverage while on military leave. If that occurs and the employee files the ICI enrollment application for coverage with the employer prior to the military leave, the employer is to follow the normal process and collect ICI premiums. The employee may execute a Power of Attorney to sign the ICI enrollment application for the employee on military leave and premiums would have to be paid.

If the application was not received by the employer prior to the eligibility date, once the employee returns to work from the active military leave, the ICI enrollment application for coverage would need to be received by the employer within 30 days after return to work. The ICI coverage effective date is the first of the month following receipt of the completed application.

2. Deferred Enrollment

The employee receives accumulated sick leave while on active military leave. If the employee accumulates sufficient sick leave while on military leave to be eligible to file for ICI coverage under the deferred enrollment opportunity, upon return to work the employee will have the opportunity to submit the ICI enrollment application for coverage to be received by the employer within 30 days from the return to work date. The ICI coverage will be effective the first of the month following the receipt of the completed application.

3. Lapsed Coverage

If the employee had ICI coverage when activated for active military leave but let the ICI coverage lapse, the employee can reinstate coverage upon returning to work by filing an ICI enrollment application for coverage to be received by the employer within 30 days from the return to work date. The employee will not be required to file for coverage under evidence of insurability. Premium shall resume at the same amount as before unless there has been an annual premium or salary adjustment in the interim (reported to the WRS). Note: If the employee's military salary is greater than the state employment salary, the employers only report the earnings that the employee would have earned in the State position.

4. Cancelled Coverage

If the employee completes the ICI enrollment application to cancel coverage, they would be eligible to re-enroll for coverage within thirty (30) days after return to work after military leave without being subject to evidence of insurability. The employer would have to receive the enrollment application within that timeframe. Otherwise deferred enrollment or evidence of insurability options would apply should they desire to re-enroll in the ICI plan.

5. Benefits

ICI benefits are not payable for disabilities caused by war (direct or indirect), but the employee may have a medical condition that may otherwise qualify the employee for ICI benefits.

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July 26, 2004

6. Retroactivity

As Wis. Act 162 applies to employees activated on or after January 1, 2003, these employees will be considered to have been on paid leave. The workgroup recommended treating these employees the same as other employees on paid leave.

- a) If the ICI coverage was in place at the time of the military leave, there would be no break in coverage and any back premiums will need to be collected.
- b) A date will be established for those affected individuals to reinstate ICI coverage. Staff recommends this date be September 30, 2004, to allow for employer and employee notification.

The recommended plan amendment includes these items.

Attachment