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## *Correspondence Memorandum*

**Date:** April 22, 2022

**To:** Group Insurance Board

**From:** Jim Guidry, Bureau Director  
 Benefit Services Bureau  
 Division of Retirement Services

**Subject:** Income Continuation Insurance (ICI) Program Reserve Policy Review

**The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve the attached Income Continuation Insurance Program Reserve Policy and also approve maintaining the current reserve target of 135% of plan liabilities for the state ICI plan and 150% for the local ICI plan.**

The ICI program is a voluntary income replacement program available to all Wisconsin Retirement System (WRS) enrolled state employees and employees of all local government entities that resolve to participate in the program. The program offers both short-term and long-term benefits for employees who develop disabilities that prevent them from working, either temporarily or permanently. The program pays claimants a benefit of up to 75% of their monthly salary until they reach age 65 (or longer in some instances).

ICI benefits will not duplicate certain benefits available from other sources, including the WRS, Social Security Administration, workers' compensation, and unemployment compensation.

The ICI program is funded solely by premiums paid by employers and employees and investment returns.

The current ICI Reserve Policy and the reserve targets of 135% and 150% (State and Local ICI plans, respectively) of plan liabilities were adopted by the Board on November 13, 2019. The goal of this policy is to establish a reserve balance target for the state and local ICI programs to guide the Board in making decisions about changes to ICI premiums that are sufficient to fund plan liabilities; protect the fiscal integrity of the program; and maintain premium rates that are adequate, stable, and equitable.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services Electronically Signed 04/27/2022 
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Board	Mtg Date	Item #
GIB	5.18.22	9B

The Board must review the policy and the ICI reserve targets for each plan at least every three years. ETF staff, after consulting with disability program actuaries, are not recommending any changes to the reserve policy or the reserve targets at this time.

Staff from ETF and Milliman will be available at the Board meeting to answer any questions.

Attachment A: Reserve Policy for the ICI Program



## **Reserve Policy for the Income Continuation Insurance Program**

The Income Continuation Insurance program (ICI) is a voluntary disability income replacement benefit. ICI coverage is available to all WRS eligible state employees and all WRS local employees if their employer participates. There are separate programs for state and local employees. The programs provide short and long-term disability benefits equal to 75% of an employee's salary until the employee reaches age 65 (or longer in certain instances). Qualifying disabilities do not have to be work-related.

The ICI program is authorized by Wisconsin Statute § 40.62 and is funded by premiums paid by employees and employers. The reserve target established by the Group Insurance Board (Board) under this policy is used in determining annual premium rates to be paid by program enrollees. As required under § 40.05 (5) Wis. Stat., premium rates paid by state employees are based on an employee's annual salary and the level of their accumulated sick leave. Premium rates for local government employees and UW faculty and academic staff are determined using the employee's annual salary and an employee selected elimination period. All state and UW employees are required to exhaust their accumulated sick leave (up to 130 days) before ICI benefits are payable.

### **OBJECTIVE**

This reserve policy is designed to provide guidance for the Board in establishing an Income Continuation Insurance Program fund reserve target that is sufficient to fund plan liabilities, protect the fiscal integrity of the program, and maintain a reasonable premium rate for employees and employers.

### **INCOME CONTINUATION INSURANCE RESERVE TARGET**

The Board will, in consultation with ICI program actuaries, establish separate reserve targets for the state and local ICI programs that is expressed as 100% of the total program liabilities plus an additional surplus target percent. This policy establishes the reserve target range as five percentage points above and five percentage points below the reserve target approved by the board.

In order to preserve the fund integrity and ease the impact of ICI premium rate changes, the Board may decide to spread recommended rate adjustments so that the surplus target is reached over a period of years rather than in one year.

This policy does not prohibit the Board, upon the advice of ETF staff and program actuaries, from setting ICI premium rates that cause the reserve balance to fall outside the target range if the program's financial condition, claim experience, and other factors

or trends indicate that a different target is necessary to fulfill the Board's fiduciary responsibility to the WRS, the ICI program and member enrollees.

**RESERVE TARGET POLICY REVIEW PERIOD**

The Board will review this policy and the ICI reserve targets for each plan at least every three years.