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Department of Employee Trust Funds  
Matt Stohr, Administrator  
Division of Retirement Services  
P.O. Box 7931  
Madison, WI 53707-7931

Dear Administrator Stohr:

Thank you for the work the Department of Employee Trust Funds is doing to implement the Group Insurance Board (GIB) approved redesign of disability programs for active Wisconsin Retirement System (WRS) members. As a large WRS employer, the UW System appreciates your goals to reduce complexity and improve program administration while maintaining quality benefits and services for members.

University of Wisconsin System Administration supports the Income Continuation Insurance (ICI) benefit plan changes proposed by the GIB to consolidate the two existing coverage levels. This change will eliminate the current ICI standard coverage plan which provides seventy-five (75%) earnings replacement up to \$64,000 and consolidates it with the current *supplemental* coverage level up to \$120,000. This will result in a single coverage level up to \$120,000, together with other plan modifications. This will better reflect wage growth over the past two decades and ensures the program remains relevant for all employees. This change will also reduce administrative burdens over the long-term by eliminating the annually required employer processes for supplemental eligibility notifications and resulting enrollment of members who choose to add supplemental coverage.

While there would be a cost to implement this change, the administrative processing efficiencies resulting from the change after just one year of implementation would exceed the cost. At UW System, we have estimated the one-time cost to implement this change would be approximately \$4,200. The estimated savings if this change were to be implemented would be approximately \$28,000 annually. These changes are timely and may lead to even greater efficiency as development of improved systems for benefits administration are currently underway at both UW and ETF.

We support the statutory changes necessary to implement the GIB's proposal that ETF seeks to implement through a request in your biennial budget request for the Income Continuation Insurance (ICI) program to decouple accumulated sick leave balances as a factor in determination of premium rates and remove the requirement for employees to exhaust their sick leave prior to eligibility for ICI benefits. These changes, plus removal of the one-year service requirement for UW faculty and academic staff to receive an employer contribution toward the monthly ICI premium, reflect improvements for both employers and employees.

UWSA will benefit from these program simplifications as we conduct employee education and support them in enrolling and utilizing the benefit. Completely eliminating the current annual deferred enrollment process based on review of sick leave balances will also make program administration more efficient for us. We will also no longer be required to complete the annual review of each employee's end-of-year sick leave balance

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to determine whether the employee needs to be moved to a different ICI premium category. Removal of the review of sick leave will also streamline benefits enrollment processes for rehired employees and state agency to state agency transfer, which require the processing of paper applications for all benefits enrollments at rehire or transfer. These transaction types are significant across our employee population.

With these changes, there would be an estimated cost to implement of approximately \$5,500. The administrative processing efficiencies would render \$31,000 annually. Similar to the change to consolidate the coverage levels for the program, after just one year of implementation, the gained processing efficiencies would far surpass the implementation cost.

Employees will benefit from these changes as well by having the ability to enroll in an elimination period (EP) of their choosing based on the premium cost by EP considering their personalized benefit needs. We anticipate that employees will appreciate the additional benefit of having the option to use alternative forms of leave to sick leave during their chosen elimination period.

We understand that implementation of the proposed statutory changes, when enacted, may result in shifts in the employer and employee share of future premiums depending on individual employees' election of elimination periods, overall enrollment trends, claims experience, and the overall financial status of the program. We understand that premium rates will continue to be approved annually by the GIB based on certified actuarial valuations designed to address all those same factors irrespective of program design changes.

If adopted, these changes will result in a uniform benefit to all employees providing greater flexibility and value to them in, what is, an increasingly dynamic and competitive labor market across all sectors of state service. These changes will also importantly eliminate procedural burdens resulting in operational efficiencies across the entire state government enterprise.

We look forward to continuing to work in partnership with you to provide quality WRS benefit programs and services to UW System employees and other state and local public employees in Wisconsin.

Sincerely,



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cc: Dan Chanen, Associate Vice President and Chief Human Resources Officer, UW System  
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