



Consolidation of the Income Continuation Insurance Standard and Supplemental Coverage Levels

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1. Q: What is changing?

A: Beginning in 2024, there will no longer be *standard* and *supplemental* ICI coverage levels. There will just be one level of coverage. All employees, whether previously enrolled in *supplemental* ICI coverage or not, will have the full amount of their Wisconsin Retirement System annual earnings covered under the program, up to a maximum of \$120,000 per year. Employee premiums will be based on the full dollar amount of coverage. Employers who previously only paid contributions on an employee's first \$64,000 of coverage will now pay contributions on the full amount of earnings covered under the program.

2. Q: Why is this change being made?

A: The maximum earnings limit for standard coverage (\$64,000 annually) has not changed to reflect wage growth since 1988. Because of this, employees have seen the share of their covered earnings eligible for an employer premium contribution decline over time.

According to ETF's disability actuary, Milliman, Inc., standard practice in the disability income insurance industry is to offer benefits based on a minimum of 90% of covered payroll. Currently, the standard coverage earnings limit of \$64,000 only covers approximately 75% of payroll for ICI enrollees. Milliman projects that combining the standard and supplemental coverages will lead to coverage of 93.7% of payroll.

3. Q: Will this change allow uninsured employees a new opportunity to enroll in ICI?

A: No. There will be no new enrollment opportunity associated with this change. Employees may still enroll when they become eligible through deferred coverage (*state employees only*) or by applying through evidence of insurability.

4. Q: Who is impacted by this?

A: The following employees will be impacted:

- **Employees who earn more than \$64,000 annually but are not currently enrolled in supplemental coverage.** Employees will have coverage for their full WRS earnings amount, up to \$120,000 per year. Premiums will be based on the new coverage level, and employers will pay a portion of the additional premium for coverage over \$64,000 (with the exception of *state* employees who are not yet eligible for employer contributions, i.e. employees in ICI Premium Category 1 or 2 and UW faculty and academic staff who do not have at least one year of state service).
- **Employees currently enrolled in supplemental coverage.** The employee's coverage level will remain the same, but employers will start paying a portion of the premium for coverage over \$64,000 (with the exception of *state* employees who are not yet eligible for employer contributions).

Note: This will have no impact on employees earning less than \$64,000 annually.

5. Q: When will this change take effect?

A: February 1, 2024.

For benefit purposes, this means that anyone who becomes disabled on or after February 1, 2024 would receive a benefit based on the full amount of their WRS annual earnings, up to a maximum of \$120,000 per year.

6. Q: How will this change affect what employers need to do during the annual ICI premium review and update period in 2024?

A: This change will eliminate the need for employers to complete the annual administrative process of offering supplemental coverage to eligible employees.

- **State Employers:** In January 2024, employers will determine employees' new earnings amount to be used for ICI purposes. Instead of capping the earnings amount at \$64,000 for employees who had not previously elected supplemental ICI coverage, the full amount of the employees' earnings, up to \$120,000, should be used to determine the ICI premiums that will go into effect February 1, 2024. There will only be one ICI premium rate table instead of separate tables for standard and supplemental coverage. Employers will now pay contributions based on the full amount of employee earnings covered under the program.
- **Local Employers:** If there were not a premium holiday in effect, local employers would normally complete an *annual ICI premium review and update* in March of each year. If the ICI premium holiday continues throughout 2024, this will not be necessary. The decision to continue or discontinue the premium holiday will be made by the Group Insurance Board in May 2023.

7. Q: What do insured employees need to do?

A: Employees do not need to do anything *unless they wish to cancel their ICI coverage*. Employees who wish to cancel coverage should see their payroll and benefits specialist for more information.

8. Q: Will this change affect employees' opportunities to enroll in ICI during the 2024 deferred enrollment period? (State only)

A: This change will *not* affect the enrollment opportunities of uninsured employees who may be eligible to enroll in ICI through deferred coverage between January 1 and March 1, 2024. However, employees will not have a choice to *enroll in* or *waive* supplemental coverage. If the employee enrolls, their coverage will be for their full earnings, up to \$120,000, and effective April 1, 2024.

The change *does* mean that the supplemental open enrollment period will no longer be necessary, as employees will no longer have to elect supplemental coverage in order for earnings over \$64,000 to be covered under the program.

9. Q: When will this change first be reflected on employees' paychecks?

A: Premium deduction changes for **state** employees will be reflected on their first paycheck in February 2024.

Local employees: If the premium holiday continues throughout 2024 for the local ICI plan, local employees will not see any deductions for ICI coverage on their paychecks. The decision to continue or discontinue the premium holiday will be made by the Group Insurance Board in May 2023.

10. Q: What do employers need to do to prepare for these changes?

A: Employers will need to:

- Make any necessary changes to payroll systems.
- Update information on employer websites and any internal documents that discuss standard and supplemental coverage levels.

Note: Updated ETF forms and brochures will be available towards the end of 2023.

11. Q: Will an employee who had not previously elected supplemental coverage and who became *disabled prior to February 1, 2024* be eligible for a benefit based on their full annual earnings amount, up to \$120,000?

A: No. Any employee disabled prior to February 1, 2024 who did not have supplemental coverage in effect on the date they became disabled will only receive ICI benefits based on their first \$64,000 of annual earnings.