How to Become a Participating Employer Under the Wisconsin Public Employers' Group Income Continuation Insurance Program

Department of Employee Trust Funds
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Table of Contents

Income Continuation Insurance

General Information

The information in this booklet supplements the information contained in the *Wisconsin Public Employees' Income Continuation Insurance* (ET-2129) brochure.

The Income Continuation Insurance (ICI) plan became available to state employees in 1972 and to local government employees in 1987. This plan provides replacement income during periods of disability.

ETF has contracted with a third-party administrator ("plan administrator") to adjudicate claims for ICI and issue benefit checks.

Employer Eligibility

Public employers must be included under the WRS in order to elect coverage under the ICI plan. To become a WRS employer, a *Resolution of Inclusion Under WRS* (ET-1319) must be filed and approved by ETF and the employer must be covered by a Section 218 agreement with the Social Security Administration.

Employee Eligibility

Employees who are employed in a WRS-covered position are eligible to participate in the ICI plan.

Employer Cannot Limit Employee Participation

The ICI plan may not be limited to a particular department, a classification of employees, special interest groups or union contract groups. When a resolution is adopted by the governing body to participate in the ICI plan described in this booklet, all eligible employees must be offered coverage. However, an employer may request a temporary waiver for delayed effective dates if the timing of collective bargaining requires a different initial effective date for one or more bargaining units.

Benefits Payable

The plan provides replacement income for disabilities that are considered short-term in nature as well as those that may last for extended periods. In the event of disability, ICI will replace 75% of a covered employee's average monthly earnings, with a maximum monthly benefit of $7,500.

Average monthly earnings are based on the employee's *annual* earnings that were reported to the WRS for the prior calendar year. (If an employee has less than a full year's earnings in the previous calendar year, their annual earnings will be estimated based on their current rate of pay.) This amount is then rounded up to the next higher thousand and divided by 12 to come up with the average monthly earnings.

Benefits under the plan will not duplicate benefits available from state or federal programs such as the WRS, Social Security, Worker's Compensation, and unemployment, but rather will supplement these programs to provide a specified level of disability income.

ICI benefits are normally payable through the end of the month in which a claimant reaches age 65 as long as the claimant meets all of the ICI plan requirements. However, if a claimant's first date of disability is after their 60th birthday, benefits will be payable for a period of five years from their date of disablement.

Elimination Period

The elimination period is the minimum number of consecutive calendar days which must elapse between the date of disability and the beginning of benefit payments. Each employee can select the elimination period of their choice, either 30, 60, 90, 120, or 180 calendar days. Shorter elimination periods increase the amount of the employee's premium. For example, an employer may agree to pay the full cost for the 90-calendar-day elimination period. If the employee selects the 30-calendar-day elimination period, they would be required to contribute the difference between the total premium for the 30-day elimination period and the premium for the 90-day elimination period.

After coverage becomes effective, the employee may select a shorter or longer elimination period. However, evidence of insurability that is satisfactory to the plan administrator must be submitted before a *shorter* elimination period will take effect. The costs associated with providing evidence of insurability will be the responsibility of the employee.

Employee Premiums

An employee's premiums are based on their previous calendar year's WRS-reported earnings and their selected elimination period. The premium is adjusted annually in April based on the previous year's earnings. (Note: For new hires, employees who were on an unpaid leave of absence or had a permanent change in their percentage of appointment in the prior calendar year, an estimated annual earnings amount is used for premium purposes.)

Employer Contribution

Employers must pay a minimum contribution equal to the total premium for the 180-day elimination period. An employer may elect to pay a greater amount towards premium. However, the employer contribution must always be equal to the total premium for one of the elimination periods. For example, an employer may choose to contribute an amount equal to the total premium for the 90-day elimination period.

Note: The Local ICI plan is currently on a premium holiday. ETF will issue an Employer Bulletin notifying employers when a premium holiday is declared and when the premium holiday ends.

Taxable Benefits

As the percentage of the total premium paid by the employer increases, there is a corresponding increase in the percentage of the disability benefit which is considered taxable income to the employee.

Social Security regulations provide that any income received from a sickness or disability plan during the first six months of a disability is subject to withholding for Social Security contributions if the employer has paid a portion of the premiums. The percent of the benefit that is subject to Social Security contributions is equal to the percent of the gross premium paid by the employer.

Duration of Benefits

Short-term disability benefits are payable during the 12-month period subsequent to the date the disability begins. Long-term disability benefits begin after that 12-month period. During a period of short-term disability, a physician must certify that the employee is unable to perform the duties of their current position. For a long-term disability, a physician must certify that the employee is unable to engage in any *substantial gainful activity* for which they are reasonably qualified, with due regard to the employee's education, training and experience. ("Substantial gainful activity" is defined as gross earnings that are equal to or greater than the gross ICI benefit for the same period.)

ICI benefits are normally payable through the end of the month in which a claimant reaches age 65 if the claimant meets all of the ICI plan requirements. However, if a claimant's first date of disability is after their 60th birthday, benefits will be payable for a period of 5 years from their date of disablement.

How to Join

WRS participating public employers are eligible to offer ICI upon submission and approval of a *Resolution for Inclusion Under the Income Continuation Insurance Plan* (ET-1326). A sample is included at the end for your convenience. You can find the current resolution (ET-1326) to print and complete on the ETF website.

Action to adopt a resolution must be taken by one of the following governing bodies:

Public Employer	Corresponding Governing Body
County	County Board
City	City Council
Village	Village Board
School District	School Board
Other Political Subdivision	Governing Body

The governing body must also decide what the employer share of the premium will be. (See the "Employer Contribution" section for more information.) Coverage will be effective on the first of the month on or after 90 days following receipt of the certified resolution by the Department of Employee Trust Funds (ETF). At its option, an employer may specify in the resolution a later effective date, providing such effective date falls on the first day of a later month.

Send resolution(s) to:

Department of Employee Trust Funds
Employer Services Section
PO Box 7931
Madison WI 53707-7931

or

ETFSMBESSNewEmployer@etf.wi.gov

After the resolution is filed, there will be an enrollment period. During this period, **all** eligible WRS-covered employees who are actively employed can elect to be enrolled. At least 65% of the eligible employees must elect to participate, or the resolution becomes void.

An employer may request a temporary waiver allowing a delayed enrollment period and effective date of one or more collective bargaining units if it is required due to the timing of collective bargaining. The temporary waiver may be requested from ETF. All of the following provisions must be met:

1. the employer still must meet the 65% participation requirement,
2. the Board's actuary must approve each waiver to avoid adverse action on the program, and
3. the waiver is temporary (usually one year).

If an eligible employee does not elect to participate in the ICI program during the initial enrollment period, or during an enrollment period allowed as a result of a waiver due to the timing of collective bargaining, they may obtain coverage later by providing the plan administrator with satisfactory evidence of insurability. All costs of securing the insurability evidence are at the employee's expense. If the application for coverage is denied, a new application will not be considered until one calendar year has elapsed from the date of denial.

Termination of Participation

Since the ICI program is optional with each participating employer, the Group Insurance Board permits an employer to withdraw from the program at the end of any calendar year, provided there has been participation for a minimum of twelve (12) months. A resolution to withdraw must be received by ETF by the preceding October 1 for program termination at year's end.

If participation in the program falls below the required 65%, the Board may terminate the employer's participation. In such a case, the employer will be notified by October 1 that termination will be effective at the end of that calendar year.

More Information

If you have any questions not covered in this booklet or the employee booklet, you may obtain additional information by contacting ETF's Employer Services Section by email or phone:

ETFSMBESSNewEmployer@etf.wi.gov

Toll-free: 1-877-533-5020, option 2

Local calls: 608-266-3285, option 2