Chapter 4

Amount of Life Insurance

A. Coverage Amounts

When employees first become insured through their current employer, the amount of insurance is an estimate determined by the employer. The estimate is based on the employer's projection of the employee's earnings for the next twelve (12) months rounded to the next higher $1,000 if not already an even $1,000. On the January 1 that immediately follows the date they became insured, the amount of insurance is based on the higher of the estimated earnings or the actual earnings in the previous calendar year. On each January 1 thereafter their insurance amount will be based on their highest prior calendar year's actual earnings with the employer.

"Earnings" means the total salary or wages paid to the employee by the employer during the previous calendar year. This includes deferred compensation, tax shelter arrangements and allowances provided for in lieu of money. For employers that provide employees a private pension plan, "earnings" has the same meaning as above and are reported by the employer to Securian.

For newly eligible employees, the coverage amount will be based on the estimated annual earnings that the employer provides on the application. The employer should provide the estimated earnings for a full calendar year period.

Each local government employer is a separate employer and the State of Wisconsin is considered one employer for life insurance purposes. Coverage amounts are calculated separately for Local employers and are combined for State employers.

If earnings increase above the current level of coverage, insurance coverage will increase January 1 of the following year. If earnings decrease, insurance coverage will not decrease unless the employee requests a reduction of insurance in writing or unless the calendar year earnings after one full year of employment are less than the coverage amount that was based on the prior year's estimate. For billing purposes premium changes due to coverage increases or age changes are effective April 1 for State employees and July 1 for Local employees.

Highly compensated employees who began WRS participation after July 1, 1996, have their WRS reportable earnings capped by compensation limits imposed by Internal Revenue Code Section 401 (a) (17). Life insurance coverage will be based on the employee's actual earnings.

Contract settlements sometimes involve the payment of retroactive earnings. For WRS purposes, retroactive earnings must be allocated to the year in which payment would have been made had the contract been settled timely. Coverage amounts affected by retroactive earnings will be adjusted at retirement, continuation, or when a claim is processed and approved. Employers do not need to report retroactive earnings due to contract settlements to Securian.

Basic Plan

Except as provided above, under the Basic Plan the employee will have insurance equal to the earnings paid to them by the employer during the previous calendar year rounded to the next higher $1,000.

When active employee reaches age seventy (70) Supplemental and Spouse and Dependent coverage terminates. Basic coverage automatically continues at the reduced amount. Premiums will be discontinued and the amount of Basic insurance will be adjusted as shown in the Continuing Coverage Table below. The adjustments shown in the Continuing Coverage Table do not apply to employees under age seventy (70).

When the governing body of an employer adopts a resolution to participate in the Program and makes insurance available for the first time to its employees, eligible employees who are age seventy (70) and older on the effective date of the Basic Plan, will receive an amount of insurance equal to the final reduced amount provided in the Continuing Coverage Table below.

Continuing Coverage Table

AGE	% of Basic Coverage Continuing
Before age 65	100%
While age 65	75%
While age 66	50%
While age 67 and after	25%*

** Applies only to employees of local government employers. Local government employers may, however, elect a continuation of 50% of the Basic coverage if they agree to make the increased employer contributions. State employee coverage continues at the 50% rate from age sixty-six (66) and after.*

Supplemental Plan

Basic coverage is required, and the employer must participate in the Supplemental Plan for employees to be eligible. This plan provides life insurance coverage in addition to the Basic Plan at one (1) times the employee's previous year's earnings, rounded to the next higher $1,000. For employees who are employed when they reach age seventy (70), premiums will stop and Supplemental insurance coverage will terminate.

If the employee has continued the Supplemental Plan following termination of employment or retirement, coverage will end at age sixty-five (65).

Additional Plan

The employer must participate in the Additional Plan for employees to be eligible. This plan provides life insurance in addition to the Basic Plan at up to three (3) times the employee's prior year's earnings. For employees who are employed when they reach age seventy (70), coverage will continue until employment is terminated, coverage is cancelled or premiums have stopped being paid, whichever is earliest. If the employee has continued the Additional Plan following termination of employment or retirement, coverage will end at age sixty-five (65).

When the governing body of an employer adopts a resolution to participate in the Additional Plan and makes it available for the first time to all its employees, eligible employees who are age seventy (70) and older on the effective date of the Additional Plan are required to provide evidence of insurability satisfactory to Securian, if they wish to enroll in the Additional Plan.

For employees who are age seventy (70) and older when they begin employment, Evidence of Insurability is required to enroll in the Additional Plan. Basic coverage is not a prerequisite. The Additional Plan does not include waiver of premium or accidental death and dismemberment benefits for insureds who are age seventy (70) and older.

Spouse and Dependent Coverage

Eligible employees may apply for one (1) or two (2) units of Spouse and Dependent term life insurance. They may not elect more than two (2) units of coverage even if they are employed by more than one (1) participating employer. However, the employee and their spouse/or domestic partner may both elect Spouse and Dependent coverage if both are eligible employees and both their employers offer the coverage. There is no Accidental Death, Dismemberment or Loss of Use coverage in the Spouse and Dependent Plan. The amounts of coverage under each unit may be subject to changes made by the Group Insurance Board.

1 Unit:	Spouse = $10,000
	Each Dependent Child = $5,000
2 Units:	Spouse = $20,000
	Each Dependent Child = $10,000

B. Election to Reduce Coverage

Insured employees may <u>elect</u> to reduce their insurance coverage if all of the following requirements have been met:

a. The employee's calendar year earnings (W-2 earnings for private pension employees) have decreased and could result in less coverage than the employee currently has.
b. The employee is actively employed with the same employer.
c. The employee has been actively employed for at least nine (9) months in the last calendar year.

The employee must properly complete and sign an *Election to Reduce Amount of Life Insurance* (ET-2309), which can be obtained by contacting ETF. The election must be filed with the employer in the year following the year in which there was a decrease in earnings, and received by ETF within sixty (60) days of receipt by the employer.

The reduced coverage will be effective the first (1^{st}) day of the month on or after the date the employer receives the *Election to Reduce Amount of Life Insurance* and will be based on actual earnings in the last calendar year.

Coverage automatically increases if the employee's earnings increase in subsequent years; The employee will need to file a new *Election to Reduce Amount of Life Insurance* (ET-2309) to reduce coverage after changes in earnings. If the employee's earnings do not increase, the election remains in effect until the employee changes employers.

C. Annual Renewal Census

The insurance amount for a new or rehired employee who has been employed less than a full calendar year will be based on the higher of the prior year's estimated earnings or prior year's actual earnings, even if employment is only for part of the year in which the highest earnings occur.

If the estimated earnings are higher than the actual prior year earnings, the employee's coverage will be based on an estimate until they have been employed for a full calendar year.

If earnings decrease, insurance coverage will not decrease unless a reduction of insurance is requested in writing or unless the calendar year earnings after one full year of employment are less than the coverage amount that was based on the prior year's estimate.

In subsequent years, the insurance amount will be based on the highest prior year's actual earnings.

Coverage for an employee who retires before the end of the year will be based on the higher of their current insurance amount or the amount that is based on the actual earnings for the year in which they retire.

Highly compensated employees who began WRS participation after July 1, 1996, have their WRS reportable earnings capped by compensation limits imposed by [Internal Revenue Code Section 401 (a) (17)](). Life insurance coverage will be based on the employee’s actual earnings. Employers are responsible for reporting all earnings that exceed the compensation limits to Securian.

1. **State Annual Renewal Census**

   Annual earnings must be reported to ETF by January 31 of each year. ETF then provides earnings to Securian which are used to update coverage amounts.

   Premium changes due to coverage amounts or age changes are effective April 1.

   Files containing coverage changes are provided to State payroll agencies by Securian.

   Employers are expected to review files for accuracy and update payroll deductions. Any discrepancies should be reported to Securian.

2. **Local Annual Renewal Census**

   Annual earnings must be reported to ETF by January 31 of each year. ETF then provides earnings to Securian which are used to update coverage amounts.

   Premium changes due to coverage amounts or age changes are effective July 1.

   Annual census reports are sent to each Local employer in early April containing new coverage and premium amounts.

   Employers are expected to review reports for accuracy and update payroll deductions. Any discrepancies should be reported to Securian via the adjustment page included with the census reports.

   Coverage amounts for Private Pension employers are based on W2 earnings from the previous calendar year. Securian will contact Private Pension employers in February of each year to obtain annual earnings.