

**Wisconsin Public Employers  
Income Continuation Insurance Administration Manual**

---

## **CHAPTER 7 — Benefits**

<b>700</b>	<b>Introduction</b>
<b>701</b>	<b>Eligibility for ICI Benefits</b>
<b>702</b>	<b>Determining Dates of the Elimination Period</b>
<b>703</b>	<b>Earnings for Benefit Payment Purposes</b>
<b>704</b>	<b>Benefit Payments</b>
<b>705</b>	<b>Dates of Benefit Payment Checks</b>
<b>706</b>	<b>Continuation of Benefits</b>
<b>707</b>	<b>Maximum Duration of Benefits</b>
<b>708</b>	<b>Offsets from Other Sources</b>
<b>709</b>	<b>Reduction or Termination of Benefits</b>
<b>710</b>	<b>Social Security Withholding on ICI Benefits</b>
<b>711</b>	<b>Taxability of ICI Benefits</b>

### **700 Introduction**

The Income Continuation Insurance (ICI) Program is an income replacement disability benefit plan. ICI benefits are based on 75% of the claimant's pre-disability earnings, minus income from other sources. Notify ICI's third party administrator immediately if you become aware that an employee receiving ICI benefits is also receiving income from other sources. (Refer to subchapter 708 for additional information on offsets.)

Employees electing ICI coverage are required to select an elimination period of 30, 60, 90, 120 or 180 calendar days that, in the event of disability, must elapse before ICI benefits begin.

### **701 Eligibility for ICI Benefits**

ICI coverage must be in effect on the first date of disability. ICI benefit payments do not begin until a claimant has been totally and continuously disabled for the entire elimination period.

**Totally disabled** means the claimant is under the regular care and attendance of a physician, and:

- **During the first 12 months of disability** (Short-Term Disability) - "totally disabled" is defined as the claimant's inability, by reason of any medically determinable physical or mental impairment as supported by objective medical evidence, to perform the duties of their position.

- **Following the first 12 months of disability** (Long-Term Disability) - “totally disabled” is defined as the claimant’s complete inability, by reason of any medically determinable physical or mental impairment supported by objective medical evidence, to engage in any substantial gainful activity for which the claimant is reasonably qualified, with due regard to the claimant’s education, training and experience.

Claimants must have ICI coverage in effect on the first date of treatment for their disability. ICI premiums must be continued in full until the employer receives notification that premiums are being waived.

## **702 Determining Dates of the Elimination Period**

The third party administrator for the ICI Program determines the beginning date of the elimination period. The elimination period can start on one of two dates:

### **1. Day Following Last Day Worked**

If the claimant saw a physician for the medical condition on or before the last day worked and the physician indicates that the medical condition meets the plan’s disability definition, the elimination period may begin the day following the last day worked. The first day of the elimination period may be no earlier than the day after the last day worked.

### **2. Date Disability Certified by Physician**

If the claimant did not see a physician for the medical condition on or before the last day worked, the claimant must be treated by a physician after ceasing work to determine whether the medical condition meets the plan’s disability definition. The elimination period will not begin until the date on which the physician indicates that the medical condition meets the plan’s disability definition.

Sick leave, vacation, holiday and compensatory time need NOT be exhausted before ICI benefit payments can begin. However, after the elimination period is satisfied, no ICI benefits are payable for any day for which the claimant receives paid leave time. Any sick leave, vacation, holiday or compensatory time used or paid out after the selected elimination period must be reported to ETF on the *Income Continuation Insurance Report of Employment and Earnings* (ET-5901).

## **703 Earnings for Benefit Payment Purposes**

The average monthly earnings in effect on the first date of disability shall be the total earnings paid to the insured employee by the employer during the previous calendar

year as reported to the WRS, rounded to the next higher thousand and divided by 12.  
Exceptions:

- a. If the employee is newly hired, the employer shall estimate the base salary earnings to be received during the ensuing twelve months rounded to the next higher thousand and divided by 12. That projection shall be the basis for establishing average monthly earnings until the employee has a full calendar year of service.
- b. A new projection shall be made when there is a permanent change in the employee's percentage of appointment. Projections shall be made based on the new rate of pay.
- c. If the employee has a permanent change in their rate of pay and has no change in their percentage of appointment, the employer shall make a new projection based on either the new rate of pay OR the rate from the previous calendar year, whichever is higher. Employers must report all new earnings projections on the *ICI Employer Statement* (ET-5351).
- d. If the employee returns to employment after a period of disability or authorized leave and then goes out on a new disability, earnings shall be either the same as earnings calculated for the prior disability/authorized leave OR based on earnings from the previous calendar year, whichever is higher.

## 704 Benefit Payments

ICI benefits pay disabled employees a monthly amount that, when combined with income from other disability or retirement plan sources as listed in subchapter 708, maintains a specified percentage of the employee's pre-disability earnings. The specified percentage is roughly 75% and this amount remains the same for the entire short-term disability period, although the income from various sources may change due to cost of living adjustments.

The maximum benefit payable is \$4,000 per month for standard ICI coverage, or \$7,500 for individuals enrolled in ICI supplemental coverage.

ICI benefits are payable beginning the first calendar day **following** the last day of the elimination period and for each succeeding calendar day until the disability ceases as defined by ICI plan provisions. ICI benefits are paid only for full days of disability, not partial days.

Following completion of the claimant's selected elimination period, ICI benefits are paid for every day of continuing disability, including weekends. The rounded annual salary is divided by 12 to obtain the monthly average salary and then multiplied by 75% to obtain the monthly benefit amount. For each day of the benefit period less than one month,

partial monthly payments are determined at one-thirtieth (1/30) of the monthly benefit.

The following is an example of how ICI benefits are calculated:

<b>Previous Year's WRS Earnings</b>	\$28,323.16
<b>Round to the Next Thousandth</b>	\$29,000.00
<b>Divide by 12</b>	$\$29,000.00 \div 12$
<b>Monthly Earnings</b>	= \$2,416.67

<b>Monthly Earnings</b>	$\$2,416.67 \times 75\% =$
<b>Monthly ICI Benefit</b>	$\$1,812.50 \div 30$
<b>Daily ICI Benefit</b>	= \$60.42

## 705 Dates of Benefit Payment Checks

ICI payments are made at the beginning of the month for the preceding benefit month. For example, January benefits are paid on February 1. Benefits are paid through an electronic deposit. The claimant must complete the Automated Clearing House (ACH) authorization form provided by the third party administrator.

Claimants failing to receive an expected benefit payment should contact the ICI Program's third party administrator. (Refer to subchapter 103 for contact information.)

## 706 Continuation of Benefits

The ICI Program's third party administrator periodically requests additional medical information to determine whether the claimant remains disabled. The frequency of these requests depends on the nature and expected duration (based on industry standards) of the disability.

An employee's failure to provide any requested documentation may result in a discontinuation of benefits. If a claimant is receiving WRS disability or Social Security Disability Income benefits, medical information is not required unless those benefits terminate.

## 707 Maximum Duration of Benefits

ICI benefits are 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. Benefits may extend beyond age 65 if the claimant was 62 or older on the first date of the disability. ICI

benefits are not paid beyond the end of the month in which the employee turns age 70.

The maximum duration of benefits is:

<b>Age at Date of Disability</b>	<b>Maximum Duration of Benefit in Years</b>
61 or younger	To age 65
62	3.50
63	3.00
64	2.50
65	2.00
66	1.75
67	1.50
68	1.25
69	To age 70

## **708 Offsets from Other Sources**

ICI benefits are reduced by the gross amount of income from other sources, such as other WRS disability, retirement or separation benefits. Claimants must apply for any other available benefits for which they may be eligible. ICI benefits will be reduced by the largest benefit available from other sources, even when the claimant has selected a reduced benefit from another source.

The ICI Program's third party administrator determines whether claimants are required to apply for other benefits based on medical evidence. The third party administrator will notify claimants who are approved for ICI benefits that they may be required to apply for other available benefits and that they may be required to repay ICI benefits based on their eligibility for those other benefits or income sources.

Other income sources include, but are not limited to:

- Any Social Security (disability or retirement) benefits the employee is eligible to receive.
- Workers' Compensation – temporary total disability, temporary partial disability and compromise/settlement agreements. Note that permanent partial disability, permanent total disability, medical expenses, penalties assessed against employer, and attorney fees are not offset from the ICI benefit.
- Any employer liability law benefits, such as Wis. Stat. § 40.65 Duty Disability benefits.
- Any WRS retirement, disability retirement, separation or Long-Term Disability

Insurance benefits.

- Any employer-sponsored salary continuation plan, including any plan whose premiums are paid or collected via payroll deduction.
- Earnings, including but not limited to: paid sick leave, vacation, holiday pay and sabbatical paid on a regular basis or as a lump sum.
- Unemployment compensation.

Should an employee return to employment, the employer is required to report any earnings as indicated in Chapter 9.

### **Note regarding Workers' Compensation:**

The third party administrator instructs claimants to apply for workers' compensation (WC) benefits if the illness/injury appears to be work related. Future ICI benefits may be reduced or suspended if the employee fails to apply for WC benefits. Once a WC decision is issued, the employer must report any approved WC awards to the third party administrator. Employers must report any temporary WC disability benefits on the *Income Continuation Insurance Report of Employment and Earnings* (ET-5901).

In the event the WC claim determination is delayed, ICI benefits will be paid without any WC adjustment. However, ICI payments are recalculated once the WC award is determined. Claimants must repay overpayments caused by a WC award.

## **709 Reduction or Termination of Benefits**

ICI benefits are reduced or terminated when any of the following occur:

- Return to full-time employment - ICI benefits are payable up to the date of return, or up to the date medical evidence indicates the claimant is capable of returning to work full-time, if earlier.
- Return to part-time employment - ICI benefits continue on a reduced basis if the claimant returns to part-time employment with the pre-disability employer or if employment is approved as rehabilitative training. The ICI benefit will terminate for claimants receiving Long-Term Disability ICI benefits if their gross part-time earnings are equal to or greater than the gross ICI benefit. If the benefit is terminated, the claimant is required to begin paying ICI premiums to continue ICI coverage.

**Note:** If the claimant's physician notifies the third party administrator of the ICI Program that the claimant can work for a specified number of hours, but the claimant chooses to work fewer hours, the benefit will be reduced by the number of hours specified in the physician's release.

## **710 Social Security Withholding on ICI Benefits**

Social Security regulations provide that any income from a sickness or disability plan received during the first six months of a disability is subject to Social Security withholding if the employer paid a portion of the ICI premiums.

The percentage of the benefit subject to Social Security withholding is equal to the percentage of the gross premium paid by the employer.

## **711 Taxability of ICI Benefits**

The percentage of benefits considered taxable income is directly proportionate to the percentage of the total ICI premium paid by the employer. The taxable portion of the benefit is based on an average of the premium percentage paid by the employer over the three years prior to the year in which the ICI benefits are first paid. However, due to continuing revisions of tax laws and the interpretation of the revenue code, claimants should consult both state and federal tax authorities for answers to specific questions concerning the exclusion or inclusion of such benefit payments as taxable income. The ICI Program's third party administrator automatically withholds federal income tax from the taxable portion of a benefit at the equivalent withholding for a Single person with zero (0) deductions unless the employee has filed an IRS Form W-4 with an alternative withholding request.

Wisconsin state income tax is withheld from a taxable ICI benefit only when the claimant submits the Wisconsin withholding exemption form WT-4.