Chapter 4—Employee and Employer Premiums

400 Basis for Premium Contribution Rates

The gross amount of Income Continuation Insurance (ICI) premiums for state employees is based upon their earnings level and total accumulation of unused sick leave as credited in the last complete payroll period of the previous calendar year. State employees not earning sick leave will have the premium based on their earnings level, but they are not eligible for state share of premium; this includes blind employees of WISCRAFT.

The gross amount of ICI premium for UW faculty and academic staff is based upon their earnings level and their selected elimination period of 30, 90, 125, or 180 days.

Any employee who chooses to enroll in supplemental coverage must pay the entire supplemental ICI premium amount; there is no state share.

The following provides more detail on the criteria upon which ICI premium contribution rates are based:

A. **Earnings:** Earnings are either **estimated** for the ensuing 12 months, or based on the employee's **actual** WRS-reportable earnings from the previous calendar year (CY). The chart below shows when an estimate should be used and when the actual previous calendar year earnings should be used.

Event	Application Required?	Earnings to be Used
New Hire (no previous WRS service)	Yes	Estimated
Enrolling during Deferred Enrollment Period Employee has full year of earnings in previous calendar year (i.e. no unpaid Leave of Absence or military leave in the previous CY, and no change in percentage of appointment since beginning of previous CY)	Yes	Actual
Enrolling during Deferred Enrollment Period Employee had unpaid Leave of Absence or Military Leave in the previous CY, or a permanent change in percentage of appointment since the beginning of the previous CY	Yes	Estimated
Returning from an unpaid Leave of Absence or Military Leave, during which time ICI coverage lapsed	Yes	Same salary, either actual or estimated, used immediately prior to leave (unless permanent change in percentage of appointment upon return—see below)
Percentage of Appointment Change (No position change; change in percentage of appointment must be permanent)	No (Employer needs to recalculate premiums and update employee's payroll deduction)	Estimated—based on new percentage of appointment
Transfer/Job change Employee moving between payroll centers (STAR/non-STAR agencies)	Yes	Estimated
Transfer/Job change No change in payroll centers	No	Same salary, either actual or estimated, last used by previous employer (unless permanent change in percentage of appointment upon transfer/job change—see above)

Estimating Earnings—Earnings for the ensuing 12 months should be estimated, rounded to the next higher thousand, and divided by 12. Estimated earnings should include basic salary and any permanent add-on pay awarded to an employee who holds certain educational degrees, certifications, licenses or credentials. Estimated earnings should **not** include overtime pay or temporary additional pay such as night or weekend differential.

Using Actual Earnings—Earnings are based on the employee's WRS-reportable earnings from the prior calendar year, rounded to the next higher thousand and divided by 12.

Note: "Less than 12-month employees" (i.e. project, limited term, seasonal or academic year employees who are employed for less than 12 months in a calendar year) should have their salary basis determined in the same manner as 12-month employees, either using actual prior CY earnings or estimating earnings, based on the criteria above.

B. Sick Leave Accumulation—State Employees

The total accumulation of unused sick leave, as credited in the last complete payroll period of the previous calendar year, dictates which premium category is used to calculate ICI premium rates and determine eligibility for deferred enrollment. The premium categories and their respective minimum-required sick leave accumulations are as follows:

Premium Category	**Minimum Sick Leave Hours**
1	0 hours (less than 23 days)
2	184 hours (23–64 days)
3*****	80 hours (at least 10 days)
4	520 hours (65–90 days)
5	728 hours (91–130 days)
6	1040 hours (over 130 days)

***Premium Category 3**—Category 3 is a special rate category which permits full-time employees to qualify for employer contribution by accruing 80 additional hours of sick leave in the previous calendar year. (The employee's "beginning of year" sick leave balance from the previous calendar year is compared to the balance as of the last complete payroll period in the preceding calendar year.) The employee will remain in premium category 3 as long as 80 additional hours of sick leave are accumulated in each subsequent year; premium category 3 is not a permanent premium category.

Example: An insured employee accrues 80 hours of sick leave in the prior calendar year and will, therefore, move to premium category 3. The following year, the employee fails to accrue an additional 80 hours of sick leave. The employee is no longer eligible for premium category 3, and, depending on the *total* accumulation of sick leave, falls into either premium category 1 or 2. In the subsequent year, the employee once again accrues 80 hours of sick leave and, therefore, moves back up to premium category 3.

Premium category 3 is also available to **part-time** (including seasonal) employees on a prorated basis. For example, those employed on a half time basis (50% appointment) only have to accumulate 40 hours of sick leave in the prior calendar year instead of the 80 hours required for full time employees. This proration applies only to category 3. Use the following formula to determine the number of hours a part-time employee must accrue to be eligible for category 3:

80 x percentage of full-time appointment.

Permanent Plateaus—Any insured employee who accumulates at least 520 hours of sick leave by the end of any calendar year is said to have reached a "permanent plateau" level. This means that once an employee has reached this level, future premiums will be determined using that category, even though later use of sick leave may cause the total to drop below that plateau. Continued accumulation of sick leave may move the employee to a higher premium category, and premium rates would be based on the higher category. Permanent plateau premium categories are categories 4, 5 and 6.

Uninsured Employees' Deferred Coverage Enrollment Opportunity: In January of each year (during the annual deferred coverage enrollment period), an uninsured employee's accumulated sick leave will be reviewed to determine if they are eligible to enroll in ICI under deferred coverage. An employee only has the opportunity to enroll under deferred coverage the first time they meet the accumulated sick leave requirements for premium categories 3, 4 and 5. (As stated above, part-time employees are eligible for deferred coverage under premium category 3 on a prorated basis.)

C. Elimination Period—UW Faculty and Academic Staff

Upon electing ICI coverage, UW faculty and academic staff are required to select an elimination period of 30, 90, 125, or 180 days. The elimination period represents the minimum number of consecutive days that must elapse prior to payment of a disability benefit.

Please refer to *State Income Continuation Insurance* (ET-2106) brochure for the current ICI premium rates.

The ICI premium rates are subject to annual revision. Any revision to standard ICI and supplemental ICI premium rates will be communicated to employers by means of *Employer Bulletin.*

401 Employee Monthly Premium Rates—State Employees

402 Employee Monthly Premium Rates—UW Faculty (Starts on Page 5)

403 Calculating Employer Premium Share

The State of Wisconsin provides contributions toward *standard* ICI premiums. The employee pays the entire premium for *supplemental* ICI coverage.

State Employees—Employer Share:

For state employees, eligibility for state premium share requires that the employee accumulate sufficient sick leave by the last payroll period in the prior calendar year to qualify for premium categories 3 through 6. The state's share of the premium is based on the premium category the employee falls under. The employer share of premium is as follows:

Premium Category	State Contribution Percentage Factor
1	No state share – Employee pays all
2	No state share – Employee pays all
3	67% of total premium (approx. 200% x Employee share)
4	77% of total premium (approx. 340% x Employee share)
5	85% of total premium (approx. 570% x Employee share)
6	state pays 100% of premium

UW Faculty and Academic Staff—Employer Share:

No state share toward the ICI premium is made for UW faculty and academic staff with less than one year of state WRS creditable service.

UW faculty and academic staff have the option of choosing ICI coverage with an elimination period of either 30, 90, 125 or 180 days.

Upon completion of one year of state service, the employer pays 100% of the ICI premium for coverage with a 180-day elimination period. If an employee prefers a lower elimination period, they must pay the difference between the total premium for the elimination period they've selected and the cost for the 180-day elimination period.

404 Annual Review and Premium Update

Employers are required to review their employees' ICI coverage and complete the annual ICI premium updates in January of each year for premium rate changes that are effective on February 1st. These updates reflect any premium rate changes approved by the Group Insurance Board, along with **earnings updates** and **premium category changes** (if applicable).

Earnings Updates:

Average monthly earnings, for ICI premium calculation purposes, are based on the employee's WRS-reported earnings in the prior calendar year, *rounded to the next higher thousand, and divided by 12.*

Exceptions:

- For employees who were **newly hired**, continue to use their previously projected WRS earnings amount, until such time that the employee has a full calendar year of WRS reported earnings.
- For employees who have had a **permanent change in percentage of appointment** since January 1st of the previous year, continue to use their previously projected earnings amount, until such time that the employee has a full calendar year of earnings at their new FTE percentage.
- For employees who were on an **unpaid leave of absence (LOA)** in the previous year, continue to use the earnings amount that was in effect prior to the LOA, until such time that the employee has a full calendar year of WRS reported earnings.

Premium Category Changes:

Premium category (1, 2, 3, 4, 5, or 6) is based on the employee's accumulated sick leave hours credited as of the last complete payroll period in the previous calendar year.

Note: Accumulated sick leave balances do not apply to UW Faculty and Academic Staff for premium calculation purposes.

An employee who is in a category that is considered a "permanent plateau" (refer to subchapter 400) will not be moved to a lower premium category even if their sick leave balance subsequently falls below the threshold for that category.

Deferred Coverage Enrollment Period (January—March 1)

As part of the annual review process, employers must determine whether their employees meet the criteria to enroll in the ICI Program through deferred coverage. (Refer to eligibility criteria listed under "Deferred Coverage" in subchapter 301.)

Employers are responsible for informing eligible employees of this enrollment opportunity and providing them with an ICI application if the employee wishes to enroll. The employee must complete and return the application to their employer on or before March 1st. Coverage will be effective April 1st.

Eligible employees on LOA during the annual deferred coverage enrollment period have 60 days from the date they return to work to apply for ICI coverage.

Supplemental Coverage Open Enrollment Period (January 1—March 1)

As part of the annual review process, employers must also determine whether their employees meet the salary threshold to qualify for supplemental ICI coverage (i.e. earnings exceeding $64,000 in the previous calendar year.) Supplemental ICI enrollment requires previous or concurrent enrollment in standard ICI. Employees who do not currently have standard ICI coverage, and who are not eligible to apply for standard coverage through the **deferred** enrollment provision, cannot enroll for supplemental coverage. (They can, however, apply for both standard and supplemental coverage at any time through evidence of insurability.)

Employers are responsible for informing eligible employees of this enrollment opportunity and providing them with an ICI application if the employee wishes to enroll. The employee must complete and return the application to their employer on or before March 1st. Coverage will be effective April 1st.

Eligible employees on LOA during the annual open enrollment period have 60 days from the date they return to work to apply for supplemental ICI coverage. Employees currently receiving ICI benefits may enroll when they return to work and are no longer receiving ICI benefits.