



State of Wisconsin  
Department of Employee Trust Funds  
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## Correspondence Memorandum

**Date:** February 24, 2017  
**To:** Employee Trust Funds Board  
**From:** Deb Roemer, Director  
Benefit Services Bureau  
Division of Retirement Services  
**Subject:** Disability Program Redesign-UPDATE

**This memo is for informational purposes only. No Board action is required.**

This memo is to update the Board on the activities related to the redesign of the disability benefit plans offered to eligible WRS employees. The goal of the redesign effort is to streamline the administration of disability benefits, reduce duplication and reduce complexity and confusion for employers and employees.

**Long-Term Disability Insurance (LTDI):** At its September 29, 2016, meeting the Board approved a proposal to close the LTDI program to new claims and reopen the 40.63 Disability Annuity program. These changes are slated to occur on January 1, 2018. Our initial activities focused on making necessary changes to the 40.63 and LTDI administrative rules and making changes to the Benefit Payment System (BPS) in order to facilitate the runout of existing LTDI claim payments.

- 1. Administrative Rule Changes.** A Statement of Scope of proposed rules, which indicates Department of Employee Trust Funds (ETF) intent to make the amendments necessary to both the LTDI and 40.63 administrative rules, was sent to the Governor's Office of Regulatory Compliance for approval. We are awaiting the Governor's action.
- 2. BPS System Changes.** Staff from the Disability Programs Section (DPS), the Division of Retirement Services, and the Applications Development Section have been reviewing data requirements and system processes necessary to bring the LTDI runout process in-house. Once these requirements are finalized, real claims data will be forwarded to ETF by the current LTDI administrator, Aetna, and testing will begin. Preliminary design work is continuing and work is beginning to develop testing scenarios for the new system.

Reviewed and approved by Matt Stohr, Administrator  
Division of Retirement Services

Electronically Signed 3/7/17

Board	Mtg Date	Item #
ETF	3.23.17	5C

3. **Communications.** Staff will develop a comprehensive communications plan for internal staff, employers, and LTDI claimants and participants.

**Income Continuation Insurance (ICI):** At its February 8, 2017 meeting, the Group Insurance Board (GIB) approved modifications to the ICI program. The modifications were developed as a response to the growing actuarial deficit in the State ICI program and as part of the overall disability benefit system overhaul. The substantive changes that were approved by the GIB include:

- Decouple sick leave by removing requirements that base premium levels and benefit begin dates on accumulated sick leave.
- Replace current premium structure for State employees (i.e. “premium categories”) with an elimination period (EP)- based structure
- Eliminate long-term ICI benefits
- Increase short-term ICI benefit duration to 18 months after completion of employee-selected EP
- Eliminate \$75 long-term add-on
- Reduce the benefit amount from 75% of salary to 70%.
- Eliminate supplemental coverage
  - Increase the maximum monthly benefit for standard coverage to \$7,000 for \$120K of annual income
- Eliminate UW faculty and academic staff 12-month waiting period for employer contribution
- Change return-to-work/rehabilitative income offset from 75% to 70%

Except for decoupling sick leave and eliminating the 12-month waiting period for the UW faculty and academic staff, these changes will occur to both the state and local ICI plans. When completed, the state and local ICI plans will be nearly identical. The targeted effective date for implementation of these changes is January 1, 2020.

Additionally, at its February 8, 2017, meeting, the GIB approved moving oversight of the ICI program to the ETF Board. Consolidating the oversight of all of ETF’s disability programs under one board was discussed at the December 15, 2016, meeting of the ETF Board.

Both of these changes to the ICI program will require statutory changes. ETF will provide quarterly updates to the board on the progress of both of these initiatives.

The GIB also approved an amendment to the third party administrative contract with Aetna to administer the ICI and LTDI plans to grant two additional one year contract extensions in order to provide for a stable administration of benefits while the changes to the LTDI and ICI programs are developed.

Please contact Deb Roemer at (608) 266-5387 or [deb.roemer@etf.wi.gov](mailto:deb.roemer@etf.wi.gov) if you have comments or questions.

Staff will be at the Board meeting to answer any questions.