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Correspondence Memorandum

Date: November 16, 2017

To: Employee Trust Funds Board

From: Matt Stohr, Administrator
 Division of Retirement Services
 Jim Guidry, Director
 Benefit Services Bureau

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 Wisconsin Retirement System (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 will occur on January 1, 2018. Our ongoing activities are focused on making necessary changes to the 40.63 and LTDI administrative rules, making changes to ETF's Benefit Payments System (BPS) in order to facilitate the runout of existing LTDI claim payments, and developing communications strategies for affected stakeholders.

1. **Administrative Rule Changes.** The final administrative rule was approved by the Governor on August 9, 2017. On August 10, 2017, the final rule was submitted to the Senate and Assembly for legislative review. The rule passed through legislative review without objection. ETF will submit the rule to the Legislative Reference Bureau in early December 2017 with a January 1, 2018, effective date.
2. **BPS System Changes.** Staff from the Disability Programs Section (DPS), the Division of Retirement Services, Division of Trust Finance and the Applications Development Section, using previously developed testing scenarios, have been testing the LTDI user interface and payroll processes. Active claims data has been forwarded to ETF by the current LTDI administrator, Aetna, and has been used for testing. DPS staff have also

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

Electronically Signed 11/29/17

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continued development of an internal LTDI database that will be used to assist with the payment of LTDI claims through BPS and to perform annual functions related to LTDI benefits.

3. **Communications.** DPS staff have held meetings with internal business units and, based on this feedback, have developed an internal frequently asked questions document about the changes. DPS has also identified and updated all relevant publications, letters, and ETF website pages. An additional set of communications related to LTDI benefit processes will require revision, as those functions transition from Aetna to ETF. Such updates include revisions or deletions of existing documents, special communications to claimants, and the timing of those changes.
4. **Administrative Functions.** ETF and Aetna have been developing a transition strategy to move LTDI specific administrative functions to ETF. This strategy includes identifying and prioritizing LTDI procedures, discussion of the timing of transitioning LTDI procedures, and adapting Aetna's procedures for ETF staff use.

Income Continuation Insurance (ICI): The Group Insurance Board (GIB) approved modifications to the ICI program at its February 8, 2017, meeting. 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. Additionally, 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 has been working with the Legislative Reference Bureau to finalize draft legislation to redesign the ICI program. ETF is in discussion with legislators for sponsorship and introduction in the current session.

In order to provide stable benefits administration while the changes to the LTDI and ICI programs are developed, the GIB also approved an amendment to the third party administrative contract with Aetna to grant two additional one-year contract extensions. The contract extension was completed on October 6, 2017.

On October 23, 2017, Aetna announced that The Hartford had entered into an agreement to acquire Aetna's U.S. Group Life and Disability business. Aetna completed the sale to The Hartford on November 1. The Hartford now assumes financial and administrative responsibility and will use existing Aetna tools and resources to support current and new customers in order to minimize any disruption to benefits and service levels.

Disability Programs Section (DPS) Staffing. Closing the LTDI program and re-opening the disability annuity program to new claims will mean a logistical shift in workload responsibilities. The disability annuity program is administered by ETF, while the LTDI program is administered by Aetna. ETF's disability actuaries estimated that closing the LTDI program would result in an increase in disability annuity applications by approximately 330

claims per year. Additionally, the administrative functions related to administering open LTDI claims will transition from Aetna to ETF over the next year. These increases in workload created the need for additional staffing in DPS. Initially, DPS estimated that three additional Trust Funds Specialists would be required to handle the increased workload. At the time this memo was prepared, the Benefit Services Bureau has been able to reallocate existing resources to provide for one additional specialist and is in the process of reallocating a second vacant position to the DPS. There are no plans in place to add any additional positions.

Please contact Jim Guidry at (608) 266-5387 or jim.guidry@etf.wi.gov if you have comments or questions.

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