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Correspondence Memorandum

Date: February 25, 2018
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): On January 1, 2018, the LTDI program was closed to new claims and the 40.63 Disability Annuity program was reopened to all eligible WRS employees. ETF's Benefit Payments System (BPS) took over the payment of existing LTDI claims on February 1, 2018. On that date, ETF and Aetna received approximately 25 inquiries from LTDI recipients (out of approximately 2,400 recipients), the majority of which were from claimants receiving paper checks that didn't arrive until a day or so later. On the date of the next monthly payment, March 1, 2018, no calls were received related to missing or erroneous LTDI payments. While much remains to be done, the essential payment functions of the LTDI program were converted almost seamlessly.

The conversion of this payment process from Aetna to ETF was the culmination of over a year's worth of activity leading up to the transition date and involved staff from the Disability Programs Section (DPS), the Division of Trust Finance (DTF), the Benefit Initiation Section, the Member Services Bureau, as well as the Division of Retirement Services, the Bureau of Information Technology Services, and Aetna. Initial testing of LTDI data commenced in April of 2017 and BPS system testing occurred between August and December 2017 and involved staff from DPS and DTF.

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

Electronically Signed 3/14/18

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1. **Pending LTDI Claims.** There were approximately 125 pending claims remaining at the time this memo was prepared. Aetna is responsible for processing these remaining claims to final determination. ETF loads the approved claims into the BPS system.
2. **BPS System Changes.** Staff are working on changes to the BPS system that will enable the annual required benefit adjustments to be ingested from existing data. The annual adjustments are effective on April 1 of each year and paid monthly, beginning with the May 1 payment.
3. **Communications.** Staff are revising communications related to LTDI benefit processes that require revision while those functions transition from Aetna to ETF. Such updates include revisions or deletions of existing documents and anticipated special communications to claimants.
4. **Administrative Functions.** ETF and Aetna continue 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. ETF staff are currently preparing to transition two functions relating to LTDI payment offsets, and LTDI recipient deaths.

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, working with the Legislative Reference Bureau, has finalized draft legislation to redesign the ICI program. While ETF was developing these changes the Legislative Audit Bureau released the results of their audit of the ICI program which included ETF's proposal to pursue legislative changes to the development of the redesigned ICI program. ETF has been seeking legislative sponsorship to enable the redesigned program to move forward but to date has not been able to secure any willing co-authors.

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. Staff are currently in discussions with Aetna regarding a contract extension for 2019.

Disability Programs Section (DPS) Staffing. Closing the LTDI program and re-opening the disability annuity program to new claims meant a logistical shift in workload responsibilities. The disability annuity program is administered by ETF, while the LTDI

program was 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. The Benefit Services Bureau has reallocated two existing vacant specialist positions to the DPS. Those positions have been filled. 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.