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Correspondence Memorandum

Date: August 24, 2018
To: Employee Trust Funds Board
From: 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.

- LTDI Claims Pending.** There are approximately 42 pending claims (filed prior to the program closure) remaining to be processed at the time this memo was prepared. There were 135 pending claims at the beginning of the year. LTDI claimants have 12 months from the date an application is filed to furnish ETF with the necessary information to decide whether to approve or deny a claim. If that information is not furnished by the end of 12 months, the claim is cancelled. The remaining pending claims were all filed between September and December of 2017 and are not expected to carry over into the 2019. For example, 16 of the remaining 42 pending claims were filed in December 2017. Aetna is responsible for processing these remaining claims to final determination. There are currently 2,353 open and 17 suspended LTDI claims. The number of open and suspended LTDI claims has declined by 3.6% since the program closed.
- LTDI Supplemental Contributions.** In July ETF staff assumed the responsibility for completing all LTDI supplemental contributions for eligible claimants. This includes

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

 Electronically Signed 9/7/18

Board	Mtg Date	Item #
ETF	9.20.18	5C

annual contributions and individual “one-off” contributions prepared outside of the annual cycle.

- 3. Administrative Functions.** ETF and Aetna continue working to transition LTDI-specific administrative functions to ETF. ETF has transitioned administrative functions relating to LTDI payment offsets, LTDI recipient deaths, and the annual benefit update process. Also, as mentioned above, ETF has assumed the responsibility for computing supplemental contributions. There are three remaining administrative functions that will be transitioned to ETF before the end of the year.

Income Continuation Insurance (ICI): The Group Insurance Board (GIB) approved modifications to the ICI program at its February 8, 2017, meeting 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.

Modifying the ICI program structure and moving program oversight to the ETF Board will require changes to Wisconsin statutes. ETF, working with the Legislative Reference Bureau, has finalized draft legislation to enable the redesign of the ICI program to begin. The changes were not acted on by the legislature before the 2017-2018 session ended. ETF is currently focusing on action for the 2019-2020 session, which begins in January 2019.

In order to provide stable benefits administration while the changes to the LTDI and ICI programs are implemented, the GIB also approved an amendment to the third-party administrative contract with Aetna to grant two additional one-year contract extensions through 2019. ETF and Aetna are currently finalizing the contract language for the remaining extension for 2019.

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.