



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
 Robert J. Conlin  
 SECRETARY

Wisconsin Department  
 of Employee Trust Funds  
 PO Box 7931  
 Madison WI 53707-7931  
 1-877-533-5020 (toll free)  
 Fax 608-267-4549  
 etf.wi.gov

**Correspondence Memorandum**

**Date:** August 24, 2019  
**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 current activities related to the redesign of the disability benefit plans offered to eligible Wisconsin Retirement System 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)**


ETF has submitted administrative rule changes (CR 19-097) to make technical updates to remove rule language that has been obsoleted due to the closure of the LTDI program. A hearing on the proposed rule changes was held August 20, 2019.

As of the date of this memo there were 2,136 open LTDI claims, down from 2,290 at the beginning of 2019.

**Income Continuation Insurance (ICI)**

The Group Insurance Board (GIB) approved modifications to the ICI program at its February 8, 2017, meeting in response to the growing actuarial deficit in the State ICI program, and as part of the overall disability benefit system overhaul. The objectives of redesigning the state ICI program included reversing the downward trend in enrollment and reducing program complexity.

Another goal of the redesign effort was to eliminate the deficit in the state ICI program. A series of premium increases from 2016 through 2020 have reduced the program

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services  
  
 Electronically Signed 9/5/19

Board	Mtg Date	Item #
ETF	9.19.19	5E

deficit and ETF's actuaries have projected a modest surplus for the state ICI fund balance by the end of 2020. ETF may have an opportunity to introduce some premium relief for the state ICI program in 2021 if actuarial projections indicate the ability to do so.

The challenges associated with obtaining the necessary statute changes for the ICI program and the improvements to the program deficit has caused ETF to reevaluate the current redesign structure with an eye toward focusing on opportunities for enrollment growth.

ETF will also prepare and present to the GIB policies for a targeted reserve fund balance for the state and local ICI programs. These policy initiatives will be similar to the duty disability targeted reserve policy that was approved by the ETF Board at its June 20, 2019 meeting. This policy will help guide the GIB in setting future premium rates that will maintain an appropriate surplus amount and ensure program stability.

In order to provide stable benefits administration while the ongoing changes to the LTDI and ICI programs are implemented, the GIB, at its November 14, 2018, meeting approved an amendment to the third-party administrative contract with The Hartford to grant one additional two-year contract extension through 2021. The contract extension was completed successfully on June 12, 2019.

#### **40.63 Disability Annuity (40.63)**

Reopening the 40.63 program has resulted in a surge in new claims. The increased claim volume was anticipated and is in line with the projections made by ETF's actuaries. Additionally, the inventory of pending claims has increased from approximately 50 claims to more than 80 claims on average. ETF has improved the benefit calculation process, which has allowed the Disability Programs section to speed up the entire benefit process. In addition, Wisconsin's 2019-2021 biennial budget allocated two Trust Funds Specialist positions to the Disability Section and we are in the process of recruiting candidates for these two positions.

Please contact me at (608) 266-5387 or [jim.guidry@etf.wi.gov](mailto:jim.guidry@etf.wi.gov) if you have comments or questions.

Staff will be at the Board meeting to answer questions.