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Correspondence Memorandum

Date: February 28, 2020
To: Employee Trust Funds Board
From: Anne Boudreau, Deputy Administrator
 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 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)

On December 12, 2019, the retirement boards approved administrative rule changes (CR 19-097) to remove language that had been obsoleted due to the closure of the LTDI program. The rules are pending approval by the Governor; if they are not sent to the Legislature by the end of session, they will be on hold until January 2021.

As of the date of this memo there were 2,052 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 eliminating the deficit in the state ICI program, reversing the downward trend in enrollment, and reducing program complexity.

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services

 Electronically Signed 3/6/20

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A series of premium increases from 2016 through 2020 have reduced the state ICI program deficit, and ETF's actuaries have projected a modest surplus for the 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 support such action.

ETF has pursued a number of legislative options to reverse the downward trend in enrollment and reduce program complexity. However, with the current legislative session coming to a close on March 26, we do not believe that we will see statutory changes prior to January 2021. ETF continues to evaluate legislative options to support the ICI redesign effort.

The challenges associated with obtaining the necessary statutory changes for the ICI program have caused ETF to reevaluate the current redesign approach, with a focus on opportunities for enrollment growth.

Separately, on February 5, 2020, the GIB approved ETF's request to issue an RFP for third-party administration of the ICI program beginning January 1, 2022. Staff is currently preparing the RFP for release in June of 2020. The current plan is to have a contract signed by December 31, 2020, and implementation completed by January 1, 2022.

40.63 Disability Annuity (40.63)

Reopening the 40.63 program has resulted in an approximately 300% increase in new applications for the program. The increased claim volume was anticipated and continues to be in line with the projections made by ETF's actuaries. ETF has improved the benefit calculation process, which has allowed the Disability Programs Section (DPS) to speed up the benefit application process, however, the inventory of pending 40.63 claims has increased from approximately 50 claims to more than 90 claims, on average. In order to allow the specialists to focus on the increased 40.63 claim volume, DPS has hired a new policy analyst, effective March 1, 2020. This position will be handling LTDI claim management and will also allow the section to better respond to ETF's modernization efforts and data needs.

Staff will be at the Board meeting to answer questions.