



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: May 22, 2020
To: Employee Trust Funds Board
From: Jim Guidry, Director
 Benefit Services Bureau
 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)

ETF prepared a package of administrative rule changes that would have removed obsolete language related to the closure of the Long-Term Disability Insurance program. Those changes are currently with the Governor's office for approval. Since the rule changes were not approved prior to the legislature's scheduled date for adjournment, they will not be promulgated during 2020. If the Governor approves the rule changes before the end of this year, ETF will be able to submit the rules for Legislative review in the next session beginning in January 2021.

As of the date of this memo there were 1,995 open LTDI claims, down from 2,080 at the beginning of 2020.

Income Continuation Insurance (ICI)

ETF and Milliman recommended design changes to the State ICI program that addressed declining enrollment, attempted to lower premiums, reduce the actuarial liability, and reduce the complexity and administrative burdens of the program. ETF was

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

 Electronically Signed 6/4/20

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not able to achieve the necessary statute changes during this legislative session and is reviewing options for the introduction in the next session, potentially including the changes in ETF's biennial budget request, which will be prepared in the fall of 2020.

State ICI Targeted Reserve Review. The Group Insurance Board (GIB) established a reserve policy in November 2019 for both the State and Local Income Continuation Insurance (ICI) programs and approved a reserve target of 135% of the State ICI program's actuarial liabilities.

At the end of 2019, the fund balance had increased to \$90.3 million and actuarial liabilities had decreased to \$90.0 million (0.5% decrease). The fund balance is now at 100.2% of liabilities, which met the goal of the 20% rate increases approved by the Board in 2015 one year ahead of schedule. The fund balance, however, is still short of the target of 135% of plan liabilities.

Local ICI Targeted Reserve Review. The GIB established a reserve target of 150% of actuarial liabilities for the local ICI program in November 2019.

On December 31, 2019, the fund balance had risen to \$39.6 million (1.7% increase) and actuarial liabilities had remained virtually unchanged at \$5.9 million (an increase of approximately \$4,000 or 0.06%). These changes have increased the fund reserve to 663% of plan liabilities. While this was a modest increase compared to the previous year and is down from a high of 850% in 2014, it still represents movement away from the Board-designated reserve target.

Group Insurance Board Action. At the request of the GIB, ETF presented a number of options to potentially reduce the local ICI fund balance at the Board's May 13, 2020 meeting and recommended the current premium holiday remain in force to allow rising claim volume to organically reduce the fund balance. The GIB approved extending the premium holiday for the local ICI plan for the 2021 plan year.

The GIB also approved ETF's recommendation to maintain state ICI premium rates at the 2020 level for the 2021 plan year and approved the actuarial valuations for both the state and local ICI plans.

RFP For Third-Party Administration of the ICI Program. On February 5, 2020, the Group Insurance Board approved ETF's request to issue an RFP for third-party administration of the ICI program beginning January 1, 2022. The RFP is currently on schedule to be released in June 2020, with the goal of having the contract executed by February 2021 and implementation completed by January 1, 2022.

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