



**STATE OF WISCONSIN**  
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 SECRETARY

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**Correspondence Memorandum**

**Date:** November 19, 2020

**To:** Employee Trust Funds Board

**From:** Jim Guidry, Director  
 Benefit Services Bureau  
 Division of Retirement Services

**Subject:** Disability Programs and 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 received the Governor’s approval on July 31, 2020, and the rule making process can continue once the Legislature convenes in January.

ETF disability policy analysts have completed their reconciliation of the LTDI database, the Benefit Payment System (BPS) that issues LTDI benefits, and the Wisconsin Employee Benefit System (WEBS). This reconciliation resulted from a recommendation by the Office of Internal Audit examination of the LTDI program. The main issue that this reconciliation revealed was that certain restriction codes for LTDI claims were not being removed once an LTDI claim was closed, resulting in a significant number of WEBS accounts with an incorrect restriction code. These accounts have been corrected and procedures have been updated to prevent miscoding going forward. The LTDI reconciliation will be an annual process to ensure that all the data sources reflect the same data. There was no financial impact to the program or participants because of the incorrect restriction codes.

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services  
  
 Electronically Signed 11/19/20

Board	Mtg Date	Item #
ETF	12.10.20	5J

As of the date of this memo there were 1,883 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. In light of feedback received on the original package, ETF revised its proposal and prepared legislative changes that would decouple sick leave from the state ICI program and replace it with an elimination-period based program resembling the local ICI program. Currently sick leave balances play a part in determining state employee ICI premiums, and UW and state employees are required to exhaust up to 130 days of sick leave before ICI benefits can begin. The statute changes would remove these requirements.

Other changes prepared include removing the requirement for UW faculty and academic staff to have 12 months of service before becoming eligible for an employer contribution to the ICI premium and shifting the oversight of the ICI program from the Group Insurance Board (GIB) to the ETF Board. These changes were included in the ETF budget request forwarded to the Governor's office on October 2, 2020.

### **Request For Proposal (RFP) For Third-Party Administration of the ICI Program**

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. ETF received a proposal from Sedgwick Claims Management Services, Inc. and from The Hartford Life and Accident Insurance Co. (The Hartford). The Hartford is the current administrator of the ICI program. The GIB recently approved issuing a letter of intent to contract with The Hartford for the period of January 1, 2022 through December 31, 2026.

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