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Correspondence Memorandum

Date: May 21, 2021

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 current actions related to the disability programs available to eligible Wisconsin Retirement System (WRS) employees and the status of the Department of Employee Trust Funds' (ETF) disability program redesign project. 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 amends and removes administrative code language rendered obsolete by the closure of the Long-Term Disability Insurance program. The rule is expected to be published in May and should become effective on June 1, 2021.

Annual LTDI salary adjustments were processed in April. LTDI claimants receive an adjustment to their benefit payment amount based on the core annuity dividend each year. Benefit updates first appear on payments issued on May 1. All 1,807 LTDI claims received an adjustment, based on the core annuity dividend of 5.1%.

As of the date of this memo, there were 1,792 open or suspended (3 suspended claims) LTDI claims, down from 1,856 at the beginning of 2021.

Income Continuation Insurance (ICI)

ETF and Milliman recommended design changes to the State ICI program that addressed declining enrollment, attempted to lower premiums, reduced the actuarial liability, and reduced the complexity and administrative burdens of the program. In light of feedback received on the original ICI redesign package, ETF revised its proposal and

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

 Electronically Signed 5/26/21

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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 University of Wisconsin (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.

All these items were proposed in the ETF budget request forwarded to the Governor's office, however, only the board oversight changes were included in the budget bill sent to the Legislature in February 2021. On May 6, 2021, the Joint Committee on Finance voted to remove the board oversight changes from the budget bill.

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. In November 2020, the GIB approved issuing a letter of intent to contract with The Hartford for the period of January 1, 2022 through December 31, 2026. Contract negotiations between ETF and The Hartford are currently ongoing.

Duty Disability Program

The annual salary and social security offset updates were prepared for the duty disability program. Benefit changes were effective beginning with payments made on February 1, 2021. Also, annual duty disability offset adjustments were recently completed for duty benefit recipients who are also receiving LTDI and retirement benefits. Those adjustments became effective with June 1, 2021 payments.

Disability program staff are currently performing income reviews for the disability annuity, duty disability, and LTDI programs. These reviews ensure that disability benefit recipients are properly reporting any income that may offset or temporarily suspend their benefit. These reviews were primarily performed by the ICI program vendor but were brought in-house in recent years.

For additional statistics related to disability benefits, please refer to the [2020 Disability Benefit Statistical Report](#) dated March 1, 2021.

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