STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
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 23, 2024

To: Employee Trust Funds Board

From: Jim Guidry, Benefit Services Bureau Director
LaShay Bishop, Disability Programs Section Supervisor
Division of Benefits Administration

Subject: Disability Programs Overview

This memo is for informational purposes only. No Board action is required.

The Wisconsin Retirement System (WRS) administers four disability programs for state and local public employees. Those programs include:

- Disability Retirement Annuity (40.63).
- Duty Disability (40.65).
- Income Continuation Insurance (ICI).
- Long-Term Disability Insurance (LTDI).

The disability programs are intended to replace occupational income lost because of any short-term or long-term disabilities that would prevent someone from working. Eligibility for each program varies as does the level of benefits that are paid. The duty disability, disability retirement annuity, and LTDI programs are administered under the authority of the Employee Trust Funds Board (ETF Board), Wisconsin Retirement Board (WR Board), and Teachers Retirement Board (TR Board). The ICI program is administered under the authority of the Group Insurance Board (GIB).

The disability programs combine for a total of $268.2 million in benefit payments to 10,918 recipients in 2023. Table 1 shows the breakdown in benefit payments and number of claims in 2023.

Patti Epstein
Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 09/05/2024

Board	Mtg Date	Item #
ETF	09.19.24	4B

Table 1. Disability Benefits and Open Claims as of December 31, 2023

	Payments	% of Payments	Claimants	% of Claims
Disability Retirement Annuity	175,538,707	65.4%	6,464	59.2%
Duty Disability	40,255,866	15.0%	1,000	9.2%
LTDI	29,871,795	11.1%	1,349	12.4%
ICI	22,564,138	8.4%	2,105	19.3%
Total	268,230,506		10,918	

Disability Retirement Annuity (40.63)

A disability retirement annuity benefit is a lifetime annuity paid to eligible WRS employees who become disabled and are unable to work until normal retirement age. This benefit is funded from the employee's WRS retirement account. If the disability retirement benefit application is approved, the employee's WRS account is closed and they become a WRS retiree, receiving a monthly disability annuity. The benefit is governed by Wis Stat. § 40.63.

To be approved for a disability benefit, an employee must be unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long continued and indefinite duration. Substantial gainful activity is employment in any position for which the compensation will exceed the earnings limit in a calendar year[1]. Two licensed physicians must certify that claimants meet this definition of disability. One of the physicians must be a specialist in the area of the employee's disability. A claimant's employer must also certify that an employee quit working because of their disability.

The following are the eligibility conditions to receive a disability retirement benefit:

- Claimant must be a participating employee who has not already taken a benefit from their WRS account.
- Must be under normal retirement age for their employment category[2].
- Must have earned at least one-half year of creditable service in each of five years during the previous seven calendar years, or a total of at least five years of creditable service during that same period.
    - Does not apply if an employee's disability is work related and the application is filed within two years of an employee's last day worked.
- Members who are not vested in their WRS account must have a combined total of at least five years of actual and assumed service[3].

[1] Indexed annually. The 2024 earnings limit is $19,833.
[2] Protective occupation employees that become disabled between the ages of 50-55, have at least 15 years of WRS service and can no longer perform duties of their protective occupation position may apply for a special disability benefit until age 55.
[3] Assumed service includes the period between the last date for which a claimant was paid WRS earnings, and the date when they would reach the normal retirement age for their employment category.

Employees apply for 40.63 benefits by contacting the Department of Employee Trust Funds (ETF) to request a disability retirement estimate. ETF will send a packet that includes the Disability Benefits Estimate and Application (ET-5302), along with two medical reports (ET-5303) to be completed by two licensed physicians.

Disability annuities are calculated in the same manner as WRS retirement annuities with the addition of assumed service to an employee's creditable service. Disability annuitants may select the same annuity options as WRS retirement annuitants, except disability annuitants are not eligible for accelerated benefits. The disability retirement benefit consists of two amounts:

- The Straight Life Portion
    - Based on assumed service.
    - Payable only to the claimant for life. This portion is never paid as a death benefit.
- The Death Benefit Guaranteed Portion
    - Based on an employee's actual service and earnings.
    - Payable for life, with available death benefits.

Annuity benefits may be adjusted based on WRS investment results. Benefits are also subject to income taxes.

Disability annuity recipients must report earnings annually, and they may be subject to annual medical recertification.

Duty Disability (40.65)
Duty Disability is an income replacement program that is available to all WRS protective occupation participants, such as police officers, fire fighters and correctional officers who have been injured while performing their duties or contracted a disease due to their occupation. This benefit is funded by employer contributions for most protective employees, except for certain county jailers who have elected to become protective employees. For those members, the benefit is employee funded. There are approximately 24,000 active and 8,400 inactive protective members in the WRS.

An employee is eligible for 40.65 benefits if their disability was work related, permanent, and caused any one of the following:

- A permanent reduction in pay or position.
- A permanent assignment to light duty.
- Retirement.
- An adverse effect on promotional opportunities if employer rules, ordinances, policies, or written agreements specifically prohibit promotion because of the disability.

Duty disability claimants who apply based on a non-traumatic mental illness (NTMI) disability must meet an additional standard. The disability must have been the result of extraordinary stress greater than the level of stress normally experienced by law enforcement or fire fighters in the normal performance of their protective occupation duties. This is known as the extraordinary stress standard that was established in the Wisconsin Supreme Court's *School Dist. No. 1, Village of Brown Deer v. DILHR (62 Wis. 2d 370, 215 N.W.2d 373 (1974))* decision. If an NTMI claim does not meet the extraordinary stress standard, the claim will be denied.

Presumptive disabilities are diseases that are presumed to have been caused by protective employment and are defined by statute. Protective employees may be eligible for duty disability under one of the presumptive laws if they are any of the following:

- Wis. Stat. § 891.453: a correctional officer, emergency medical service provider, firefighter, or a law enforcement officer whose disability is due to an infectious disease.
- Wis. Stat. § 891.45: a firefighter whose disability is due to heart problems or respiratory impairment.
  - Employees must have served at least five years as a firefighter.
- Wis. Stat. § 891.455: A firefighter whose disability is due to cancer.
  - Firefighters must have served at least 10 years as a firefighter.
  - Municipal firefighters who smoke cigarettes or use tobacco products after January 1, 2001, are exempt from the cancer presumption.

Employees apply for duty disability benefits by requesting and completing an application and returning it to ETF. Two physicians, who are licensed and practice in Wisconsin[4], must complete and return an ET-5312 Duty Disability Medical Report that certify the employee's disability. One of the physicians must be a specialist in the area of the employee's disability. The claimant's employer must certify:

- The injury occurred on the job, or the disease was contracted due to their protective occupation.
- The disability caused the employee to retire, be permanently assigned to light duty, have a permanent reduction in base pay or position, or to not be promoted.

Duty disability benefits are not subject to income tax and are payable for an employee's lifetime. The duty disability benefit is computed by multiplying the employee's monthly salary (as of their qualifying date) by a specific percentage or other factors:

- State employees receive 80% of monthly salary.

[4] Wisconsin disability retirement annuity and ICI claims do not require certifying physicians to be licensed and practicing in Wisconsin.

- Local government employees receive 75% of monthly salary. There is a 5% increase for employees who qualify for a disability benefit from the WRS or Social Security.
- Employees with more than 25 years of service may see a reduction in their benefit percentage.

Duty disability benefits will be offset (reduced) by income received from the following:

- Social Security benefits payable to the employee, their spouse, or dependent(s) that are based on the employee's work record.
- Unemployment compensation.
- Workers' compensation.
- Any WRS retirement, separation, or disability benefit based on the employee's work record.
- Earnings, including self-employment.

Benefits are adjusted annually based on the national average wage index determined annually by the Social Security Administration (SSA) for recipients who are either:

- Under age 60, or
- Age 60 or older and receiving regular disability retirement or regular LTDI benefits.

For claimants who don't fall into the criteria for receiving an annual SSA wage index adjustment, the annual adjustment will be based on last year's WRS core annuity dividend. This includes recipients who are either:

- Age 60 or older and receiving special disability retirement or special LTDI benefits, or;
- Age 60 or older and not receiving any disability retirement or any LTDI benefits.

Duty disability benefits are subject to annual income reviews, including reviews of income tax returns.

Duty disability will also pay death benefits if an employee dies because of their injury or disease. Death benefits would be payable to surviving spouses, domestic partners (in some instances), and/or the guardian of unmarried children under the age of 18. Benefits are payable if the surviving spouse/domestic partner was married to, or in a domestic partnership with, the claimant when the claimant became disabled and when the claimant died. Death benefits continue until the surviving spouse, or the domestic partner, dies, (re)marries, or enters into another domestic partnership. Benefits are payable to the guardian of minor children until the children reach age 18, marry, or pass away. Table 2 shows the different death benefits available to survivors.

Table 2. Duty Disability Death Benefits

	Benefit Amounts	Offsets and Annual Adjustments
All State Employees* **Local Government Employees Who Submitted Applications Prior to May 3, 1988**	• Surviving spouse receives one-third of the participant's monthly salary as reflected at the time of death. • Guardian of any unmarried surviving children under age 18 receives $15 per month for each child until the child marries, dies, or reaches age 18. • The total benefit cannot exceed 65% of the participant's monthly salary.	• The amount payable under the Duty Disability program is reduced by the death benefit payable from Wis. Stat. § 102. • The death benefit is a fixed amount and does not receive annual adjustments.
Local Government Employees Who Submitted Applications on or after May 3, 1988	• Surviving spouse receives 50% of the participant's monthly salary at the time of death. In some situations, a domestic partner may be eligible for death benefits. • Guardian of any unmarried surviving children under age 18 receives 10% of the participant's monthly salary at the time of death for each child. This is payable until the child marries, dies, or reaches age 18. • The total amount payable to the spouse or domestic partner and children cannot exceed 70% of the participant's monthly salary at the time of death, less the offsets for other income.	• The amount payable under the Duty Disability program is reduced by the death benefit payable from Wis. Stat. § 102 and other income sources that are based on the participant's earnings record (e.g., Social Security benefits, WRS benefits). • The death benefit is adjusted annually based on the salary indexing percentage determined for the previous year.

	Benefit Amounts	Offsets and Annual Adjustments
Any Employee Approved Under the Cancer Presumptive Law	• Surviving spouse receives 70% of the participant's monthly salary at the time of death. In some situations, a domestic partner may be eligible for death benefits. • If the surviving spouse subsequently dies, the guardian of any unmarried surviving children under age 18 receives 10% of the participant's monthly salary at the time of death for each child. The death benefit is payable until the child marries, dies, or reaches age 18.	• The amount payable under the Duty Disability program is reduced by the death benefit payable from Wis. Stat. § 102 and other income sources that are based on the participant's earnings records (e.g., Social Security benefits, WRS benefits). • The death benefit is adjusted annually based on the salary indexing percentage determined for the previous year.

[*] The Joint Committee on Employment Relations has not approved including the State employees in the 5/3/88 law provisions regarding benefits. This also applies to the death benefits.

ICI

The ICI program was created in 1973 to provide a voluntary income replacement benefit for state employees. The program was expanded to cover local government employees in 1988. Local governments must pass a resolution to participate in the program, while all state employers are required to participate. State and local employees are not required to enroll in the program. ICI claims are administered by The Hartford Life Insurance Company (The Hartford).

ICI offers both short-term and long-term benefits. Short-term benefits cover the first 12 months of benefits, with long-term benefits covering disabilities that last beyond 12 months. Short-term benefits are payable if an employee is unable to work in their current position due to disability. Long-term benefits are payable if an employee is unable to work in any occupation due to disability. The ICI program will provide up to 75% of an employee's average monthly earnings and pays an additional $75 monthly supplemental benefit for long-term benefits to help reduce medical expenses.

ICI is funded by premiums that are shared by employers and employees. Premiums in the State ICI plan are determined by the level of an employee's salary and accumulated sick leave. There are six rate categories for these employees, which determine the level of employer contribution based on an employee's accumulated sick leave. University of Wisconsin (UW) faculty and academic staff premiums are determined by salary and a self-selected elimination period. UW faculty and academic staff must also have one year of creditable state service to be eligible for the employer share of premiums. Local ICI premiums are determined by salary level and a self-selected elimination period. There are no sick leave requirements in the Local ICI plan. The local plan has been on a premium holiday since 2012. Premiums are adjusted annually based on an employee's previous year's earnings.

Employees in the state ICI plan may enroll by completing an ICI application within 30 days of hire. If they do not elect to enroll in the program at that time, they can enroll at any time by completing an Evidence of Insurability application, or via deferred coverage. Deferred coverage eligibility occurs when an employee is first eligible for an employer contribution in Category 3, or an increase in the employer contribution for Categories 4 and 5. Employees eligible for Category 6, which is an employer-pay-all category, can enroll during any deferred coverage period. The deferred coverage period lasts from January 1 through March 1, with coverage effective on April 1. UW faculty and academic staff who are not eligible for an employer premium contribution at the time they are hired can defer coverage until they are eligible for the employer contribution. Local ICI plan participants do not have a deferred coverage period.

ICI claims are initiated when an employee files a claim by contacting The Hartford. Unlike disability retirement annuity or duty disability claims, only one licensed physician is required to submit medical information about the employee's disability and certify that the employee meets the definition of disabled under the program. A claimant's employer must also complete an employer statement that is filed with The Hartford.

Before the benefit starts, state employees must serve an elimination period (also called a waiting period) of 30 calendar days, or they must exhaust all available sick leave up to a maximum of 130 working days, whichever is longer. UW faculty and academic staff select an elimination period of 30, 90, 125, or 180 days and have the same 130 working day sick leave usage requirement as all other employees enrolled in the state ICI plan. Local ICI plan participants must serve a self-selected elimination period of 30, 60, 90, 120, or 180 calendar days, however, they are not required to exhaust their sick leave.

ICI benefits are offset by other income sources including Social Security, Unemployment Compensation, Worker's Compensation, other WRS benefits, other employer-sponsored salary continuation plans, earnings, and Duty Disability benefits. If ICI benefits are determined to be overpaid due to the receipt of other income, the overpayment will be recovered. Claimants are required to apply for any additional benefits available. ICI benefits are taxable based on the amount of premium paid by the employer.

LTDI

Created in 1992, the LTDI program is a disability insurance benefit that is meant to provide income to employees who have become totally and permanently disabled. LTDI was intended to replace the 40.63 program due to concerns about potential age discrimination in the disability annuity program. However, subsequent court decisions alleviated those concerns over the 40.63 program, which had remained open but had a declining number of employees eligible for the benefit. Subsequently, ETF found itself with two long-term disability programs where only one was needed. It was determined that the LTDI program should be closed to new claims while 40.63 was reopened to include all eligible employees. The closure of the LTDI program occurred on December 31, 2017. There are currently 1,239 open claims as of the date of this memo. These claims will continue to be paid until they reach maximum duration, the member dies prior to reaching maximum duration, or the benefit is terminated for other reasons, whichever comes first.

In most cases, the LTDI benefit is 40% of an employee's final average salary (FAS). However, if an employee was not eligible for Social Security, the LTDI benefit is 50% of their FAS. LTDI benefits are adjusted annually based on the performance of the Core Trust Fund annuity adjustment. LTDI benefits are taxable since employees do not pay premiums into the program. Generally, LTDI benefits are payable through the end of the month in which an employee reaches age 65.

An additional annual supplemental contribution of 7% of FAS is paid into the WRS accounts for employees while they are receiving LTDI benefits if they are not earning WRS creditable service and have not taken a WRS separation or retirement benefit or been approved for duty disability benefits.

LTDI payments are reduced, or offset, by any WRS retirement or separation benefits. If the LTDI recipient is working, their earnings are subject to an earnings limitation that is annually indexed according to the previous year's salary index. LTDI recipients are required to provide annual income certifications and may be subject to an annual medical recertification.

With the closure of this program, all existing claims are expected to be paid out by 2052.

Disability Benefit Administration
All of the disability programs have a similar application process. A claim is filed by an employee, medical and employer certifications are gathered, and a decision is rendered. There are subtle nuances within each program. For example, ICI is a voluntary program where members take formal action to enroll. For this program, enrollment must be verified before a claim can be processed. The 40.63 program does not require the member to enroll for coverage since all WRS members are automatically eligible to apply for benefits as long as they meet the service requirement.

The programs have varying definitions of disability, and, depending on the program, either one (ICI) or two (Duty, 40.63) physicians must certify that the employee meets the program definition of disability. Attachment A lists the disability definitions for each program.

Once all the information needed by ETF or The Hartford is received, a decision can be made whether the claimant meets the eligibility requirements for that program.

Disability benefit applications can be denied if the requirements of the program are not met. In most cases this means either an employee did not obtain the necessary medical certification(s) from physicians, or their employer did not certify that the employee left work due to their disability. In the case of duty disability, a member's application will be denied if their employer does not certify that the disability was work-related or that employee met one of the four conditions for benefit eligibility.

Disability retirement, ICI, and LTDI benefits may be suspended if a member exceeds an earnings limit established by the program or if a recipient does not supply required information to ensure continued program eligibility. If an LTDI recipient exceeds the earnings limit more than once, their benefit will be terminated[5]. Disability benefits will also be terminated if a recipient dies, recovers from their disability, is unable to get medical recertification, or in the case of ICI and LTDI, the recipient reaches the maximum duration of benefits, typically when they reach age 65.

An employee may withdraw their disability application prior to a decision being made to approve or deny. Disability claims can also be canceled by ETF if the information

[5] Termination of LTDI benefits for exceeding the earnings limit more than one time does not apply to LTDI "Special" benefits that are applicable to certain protective occupations.

necessary to reach a decision is not received by ETF within one year from the date the claim is filed.

For Disability Retirement Annuity (40.63) and Duty Disability claim determinations, Table 3 shows the number of claim determinations and their disposition:

Table 3. 2023 Claim Determinations in 40.63, Duty Disability

	Disability Retirement Annuity (40.63)	Duty Disability
Determinations	246	35
Approvals	200	18
Deemed Approved	3	0
Denials	12	8
Rescinded Denials	2	7
Cancelled	18	0
Withdrawn	3	2
Voided/Invalid	7	0
Terminations	1	0

A 40.63 claim can be deemed approved if a claimant dies before a decision on it can be rendered. If the claimant was able to obtain at least one qualifying medical report, then Wis. Stat. § 40.63 (8) (h) deems the claim to be approved provided the employee was eligible for the benefit and the employee dies on or after the date that would have been the effective date of the annuity.

A benefit denial can also be rescinded if an employee appeals the decision, and the denial is reversed.

Of the 12, 40.63 claims that were denied, the reasons for denials were:

- Seven claims in which the employer refused to certify the disability was the reason for leaving employment.
- Four claims in which the employee died before the benefit could be approved.
- Two claims in which the employee did not have the needed qualifying medical certifications.
- One claim had more than one denial reason.

ETF encourages employees who may be considering applying for a disability annuity benefit to be sure to discuss it with their employer. If the employer is unaware that a disability may exist, then they will be unable to make a positive certification.

For Duty Disability, eight claims were denied:

- In all eight claims, the employer refused to certify that the disability was duty related.

- One claim also did not meet the extraordinary stress standard in *School Dist. No. 1.*
- Two claims also did not obtain at least two qualifying medical certifications.

If an employer is unable to certify that the employee's disability was the reason that the employee stopped working or that the disability was duty related, the claim must be denied.

Coordination of Disability Benefits

The Coordination of Benefits (COB) process involves a review of benefits the member may be eligible for, is receiving, or has applied for to ensure they receive appropriate benefits while preventing overpayments across the multiple benefit programs. This process includes the coordination of WRS benefits, such as retirement and separation applications, with disability benefits like ICI and LTDI. The process involves reviewing applications, notifying members of potential impacts on their benefits, making necessary adjustments to benefit payments, and managing offsets between different benefit types. This process is time consuming and critical for maintaining accurate benefit payments. The complexity of COB is illustrated by the table in Attachment B.

Like most of the tasks performed in ETF's Disability Program Section (DPS), the bulk of the COB work is performed manually ETF's modernization projects are focused on reducing the level of manual tasks required of staff. The recent implementation of ETF's Enterprise Content Management tool – OnBase enabled disability claims to be processed with increased efficiency. ICI eligibility and enrollment processes currently performed between members, employers and The Hartford will be centralized using ETF's Insurance Administration System (IAS). The scope of ETF's Pension Administration System (PAS) modernization project may include automating some current manual non-ICI disability processes.

Appeals of Benefit Determinations

Benefit denials can be contested by both employers and employees. An appeal must be filed within 90 days of the date ETF issues the denial. The components of an appeal consist of the reconsideration request (ICI only), departmental determination, appeal, and circuit court.

<u>Reconsideration Request (ICI only)</u>

An employee must send a written notice to The Hartford requesting a reconsideration of their decision. Additional information can be provided at this time. Once The Hartford has all the information it needs to make their reconsideration, they have 60 days to issue their decision.

<u>Departmental Determination</u>

If an employee disagrees with The Hartford's reconsideration request determination, or wishes to contest 40.63, Duty Disability, or LTDI benefit determinations, a member can request a departmental determination with ETF. The department will review the issue that is being contested and issue a determination.

Appeal
If the departmental determination is upheld by ETF, an employer or employee can file an appeal with the department. ETF's Office of Legal Services will coordinate the appeal process for the agency. Most appeals are heard by one of ETF's governing boards, except duty disability claim appeals are heard by the Division of Hearings and Appeals in the Department of Administration unless the appeal is regarding a benefit or overpayment calculation. Those appeals are heard by the Board.

Circuit Court
If an employee wishes to contest the appeal decision, they can petition for their appeal to be heard by the circuit court.

Disability Programs Section (DPS) Structure

The DPS is supervised by LaShay Bishop and includes a lead worker and five disability case managers. The case managers perform many tasks including, but not limited to, the following:

- Processing Disability Retirement and Duty Disability applications to determine eligibility for benefits.
- Reviewing Disability Retirement and Duty Disability Medical Certifications to determine if the physician is certifying that the member is disabled based on Wisconsin statutes/administrative code.
- Reviewing Employer Statements for Disability Retirements and Employer Certifications for Duty Disability to determine eligibility for disability benefits.
- Processing the Duty Disability Salary Certification received from employers, calculating the Duty Disability benefit, and setting up payments.
- Calculating and adjusting Duty Disability benefits based on offsets to the benefit and completing recalculations of Duty Disability Benefits due to offset adjustments throughout the year.
- Completing two annual reviews for Disability Retirements to determine if the member has or has not met the earnings limit and to verify if the physician certifies the member is still disabled as defined by Wisconsin State Statute.
- Completing the Duty Disability Annual Income Statement reviews, which involves a review of tax documents, recalculation of benefits, and adjustments to offsets.
- Suspending, reinstating, or terminating Disability Retirement and Duty Disability benefits.
- Lifetime maintenance of the Disability Retirement and Duty Disability benefits.
- Keeping track of members, eligibility for other benefits and communicating when they must apply for those benefits.

- COB between multiple income sources.

The Benefit Services Bureau (BSB) also has three Employee Benefit Program Specialists who serve as disability program policy analysts. The policy analysts develop disability program policies and provide guidance on disability program administration for members, employers, ETF staff, and external customers using state statutes, administrative code, and internal policies. Other tasks performed by disability policy analysts include:

- Recommend revisions to state statutes and administrative code.
- Maintain disability databases.
- Perform annual disability benefit and offset updates.
- Coordinate the development of disability program valuations and experience studies with disability actuaries.
- Administration of the LTDI program.
- Monitor disability claimant appeals and bankruptcies.
- Monitor ICI administrator for compliance with program administration and performance guarantees.
- Participate in the development of ICI program requests for proposals for third-party administration of the program.

Current Issues in Disability Programs

PAS
The PAS project will need the use of disability section resources to assist with system development and implementation. The DPS supervisor and BSB managers will need to monitor DPS resources closely to maintain the proper balance between daily business tasks and PAS project needs.

Staffing and Experience
The DPS has benefited from having a cadre of long-term employees and very little turnover over the last 10-year period. That situation is about to change, however, as many staff are at or nearing retirement age.

Duty Disability Redesign
A recent audit by the Office of Internal Audit (OIA) recommended that ETF develop changes to the duty disability program that would simplify the program and create more uniformity in benefits. DPS will develop a set of proposed legislative changes by the end of this year. Any changes to duty disability statutes require ETF Board approval.

ICI Program Administration
The ICI Administrative Services contract with The Hartford was effective on January 1, 2022. The contract's administrative service fee has been held level for three years from

2022 through 2024. ETF and The Hartford are currently negotiating a new administrative services fee to be effective on January 1, 2025. The new fee must be approved by the GIB.

The contract with The Hartford will expire on December 31, 2026. The contract has a provision for one two-year extension that would move the contract expiration date to December 31, 2028. Early in 2025 DPS staff will need to recommend whether to exercise the option to extend the contract or make a request to issue a request for proposals for a new administrative services contract.

Targeted Reserve Policies

The Duty Disability and ICI programs have targeted reserve policies. The goal of these policies is to establish reserve balance targets for the duty disability, state ICI, and local ICI programs to guide the ETF and GIB boards in making decisions about changes to ICI premiums and duty disability contributions that are sufficient to fund plan liabilities, protect the fiscal integrity of the program, and maintain premium rates that are adequate, stable, and equitable.

Every three years, the ETF board reviews the reserve policies for updates or changes to the reserve target itself, currently 130% of program liabilities. The state and local ICI program reserve policies are reviewed and approved by the GIB. The current reserve targets for the ICI program are 135% of program liabilities for the state ICI program and 150% for the local ICI program. All three programs have reserves that exceed the current targets.

The reserve target policies will be up for review by the Board and the GIB in 2025. ETF's disability actuaries will review program activity and provide a recommendation to update the reserve targets or maintain their current levels.

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

Attachment A: Definition of Disability by Program

Attachment B: ET-5334 Disability Benefits Chart – Offsets by Program (Rev. 3/31/2021)