

# Disability Programs Overview

## Item 4B – Employee Trust Funds Board

Jim Guidry, Benefit Services Bureau (BSB) Director

LaShay Bishop, Disability Programs Section Supervisor

Division of Benefits Administration



# Informational Item Only

- No Board action is required.

# Agenda

1. Disability Program Section (DPS) Structure
2. ETF Disability Programs
3. Disability Programs in Detail
4. Disability Benefits Administration
5. Current Issues
6. Questions

# Disability Programs Section

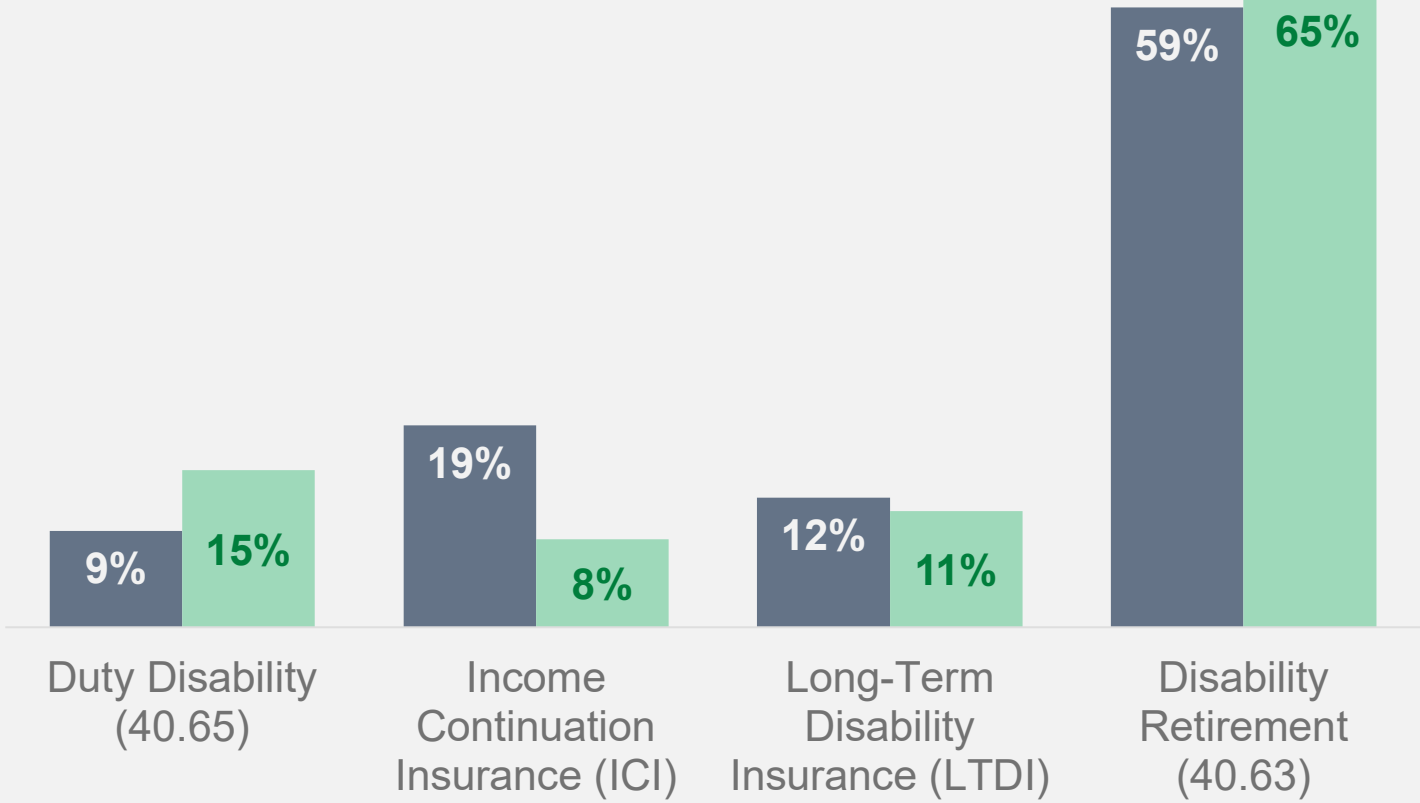
Jim Guidry, BSB Director  
Gene Janke, BSB Deputy Director


**Disability Programs Section**  
LaShay Bishop, Supervisor Leadworker  
Case Managers (5-Trust Fund Specialists)

**Policy Analysts**  
Employee Benefit Program  
Specialists (3)

# ETF Disability Programs

■ Share of benefit recipients    ■ Share of benefit payments



 **\$268.2 million**  
2023 benefit payments

 **10,918**  
separate claims



# Disability Retirement Program

Wis. Stat. § 40.63: A lifetime annuity for eligible WRS employees who become disabled and unable to work prior to normal retirement age (NRA)

- Funded from the employee's retirement account
  - Once approved for the 40.63 benefit, WRS account is closed, and claimant becomes a WRS retiree
- Benefits are taxable
- Calculated the same as regular retirement benefits including potential death benefits
  - Includes additional assumed service as if the participant had worked until their NRA
  - Not eligible for accelerated benefits
  - May be adjusted annually
- Disability annuitants must report additional earnings annually and may be subject to annual medical recertification
- Employees apply by requesting a disability retirement estimate from ETF

# Disability Retirement Program – Eligibility

WRS participating employee under NRA who has not taken benefit from their WRS retirement account

## Service Requirements:

- At least one-half (.5) year of creditable service in each of five years during previous seven calendar years or
- Total of at least five years of creditable service during the previous seven calendar years
- Service requirements not applicable if disability is work-related and application is filed within two years of last day worked
- Members not currently vested must have at least five years of combined actual and assumed service

Two licensed physicians must certify that claimant meets the following definition of disability:

- 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

# Duty Disability Program Overview and Eligibility

## Wis. Stat. § 40.65

- Non- taxable income replacement program for protective occupation employees, not a retirement benefit.

## Funded by employer contributions

- Beginning 2024 certain county jailers are now paying duty disability contributions instead of their employer.

## Eligibility:

- The participant must be in a WRS protective occupation at the time of injury or illness.
- Disability must be work related or disease contracted due to protective occupation must be permanent to the extent that they can no longer work full protective duty.
- Disability must cause a reduction in pay or position, cause work assignment to light duty, adversely affect promotional opportunities, or cause retirement from the job.
- Medical certification required by two physicians certifying disability, and the employer must certify that the illness or injury was work-related.



# Duty Disability Benefits

80% of monthly salary (State employees)

75% of monthly salary (Local employees)

- May increase by 5% if also qualified for a disability retirement benefit from the WRS or Social Security.
- Local Only — employment terminated prior to the date that ETF receives duty disability application, may reduce benefit % equal to 0.5% for each month of service over 25 years.
- Local Only — employment terminated prior to the date that ETF receives duty disability application, the benefit will be reduced by 0.5% for each month of service over 30 years.

Benefits adjusted annually by either the Social Security Administration (SSA) wage index or the previous year's WRS core dividend

Benefits are offset annually by: Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI) retirement, WRS retirement, WRS separation, 40.63, LTDI, earnings, worker's compensation, and unemployment compensation.

Death benefits may be available if the death was a result of injury or disease for which a benefit is paid, survived by spouse, domestic partner, or unmarried children under 18.

# ICI

Voluntary disability income replacement benefit payable to enrolled participants

Monthly benefit – 75% of salary

- Coverage to \$120,000 annual salary – Max benefit/month: \$7,500
  - \$75 monthly add-on to long-term benefits
- Taxable benefit

Short-term and long-term benefits payable to age 65 for most

Taxable based on employer share of premiums paid

Group Insurance Board Authority

Separate State and Local employer plans

State ICI premiums are based on salary and accumulated sick leave balances

- UW faculty and academic staff — Elimination period based premium structure
- Premiums shared between employers and employees
- Claimants required to exhaust sick leave up to 130 days

Local plan has elimination period based premium structure — currently on premium holiday

# LTDI

Disability income to employees who have become totally and permanently disabled.

Created in 1992 as a replacement for the 40.63 program

- Closed to new claims on Dec. 31, 2017
- Part of disability programs redesign to eliminate duplicate benefit programs
- 1239 open claims in run-out

Monthly benefit — 40% of salary (taxable)

Payable to age 65

Annual adjustments

- Salary adjustment — Core Index
- 7% WRS contribution

ETF Board Authority

# Disability Benefit Variations

## Notable differences among the disability programs

Participation in ICI is voluntary and requires a member to enroll in the program.

- Coverage under 40.63 and 40.65 programs is automatic for eligible WRS members.

The ICI program only requires 1 medical certification.

- 40.63 and 40.65 programs require two (one from a specialist).

Varying definitions of disability.

### Earnings limit:

- LTDI (excluding LTDI special) is suspended the first-time earnings limit is exceeded and terminated if a recipient exceeds the earnings limit more than once.
- 40.63 will be suspended each time earnings limit is exceeded. No terminations.
- 40.65 does not have an earnings limit. Earnings are 100% offset.
- ICI is terminated if a claimant can return to substantial gainful activity (SGA).
  - SGA is defined as the gross earnings for any period of ICI benefits that are paid or payable which are at least equal to the gross ICI benefit, excluding the \$75.00 monthly supplement.

# Disability Benefits Administration

## Case management approach

- The disability programs processing tasks are performed by using a case manager approach
- A large portion of disability benefits administration happens after benefit approval and payments begin
- Most tasks are processed/entered/reviewed manually.
- Benefits are monitored and assessed by the case managers for the lifetime of the benefit.

## Common tasks:

- Application processing
- Annual earnings reviews
  - Benefits suspended if member exceeds the earnings limit or,
  - Required information to ensure continued program eligibility is not received.
- Annual medical recertifications
- For 40.63 and 40.65 claims, 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 necessary to reach a decision is not received by ETF within one year from the date the claim is filed.

# Current Issues – Disability Section

## Pension Administration System

- Impact to resources

## Staffing and Experience

- Stable section with little turnover
- Staff turnover over next 5 years due to retirement eligibility

## Reserve Policy/Targets Review/Update

- ICI and Duty Disability

# Current Issues – Duty Disability

## Program Redesign

- Recommendation from OIA
- Simplify and modernize the program

## Yearly Review

- Yearly review of Income Taxes and other related tax documents

## Data Share with SSA

- With Social Security Administration for review

# Current Issues - ICI

## ICI Administrator Contract with The Hartford

Contract term Jan. 1, 2022, through Dec. 31, 2026

- 1 two-year extension available for CY27-28.
- Early 2025 decision — Extend contract or issue RFP

## Administrative Services Fee renegotiation

- Fee locked — 2022-2024
- Negotiation for new fee in process





**Questions?**

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# Thank you

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