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Correspondence Memorandum

Date: January 20, 2017
To: Group Insurance Board
From: Matt Stohr, Administrator
Division of Retirement Services
Subject: Transfer Oversight of Income Continuation Insurance (ICI) Program and Long-Term Disability Program (LTDI) from the Group Insurance Board (GIB) to the Employee Trust Funds (ETF) Board

ETF recommends the GIB approve the transfer of oversight of the ICI and LTDI programs to the ETF Board.

The Department of Employee Trust Funds (ETF) administers multiple disability programs. The programs are: state and local Income Continuation Insurance (ICI), Long-Term Disability Insurance (LTDI), 40.63 Disability (also known as disability retirement) and Duty Disability. Under current state statute, the GIB oversees both the state and local ICI plans. The ETF Board oversees the 40.63 Program and the Duty Disability Program. The ETF Board delegated oversight of the LTDI Program to the GIB, although staff presents LTDI Program information, such as annual valuations, to both the GIB and ETF Board because the LTDI Program is so closely tied to the 40.63 Program.

At the February 8, 2017 GIB meeting, ETF staff will cover four disability-related topics, all of which are connected. This memo relates only to the last topic – Board oversight of the ICI and LTDI Programs. Specifically, ETF requests that the GIB consider transferring the oversight of the ICI and LTDI programs to the ETF Board. The goal is to place all WRS disability programs under one governing board.

The reasons for the request to transfer the ICI Program and the LTDI Program to the ETF Board are:

- ETF's goal is to streamline the disability programs to have one short-term disability program (which would be ICI) and one long-term disability program (which would be Disability Retirement/40.63). We have been working with Milliman, the actuary for the disability programs, to develop suggested changes

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 1/26/17

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GIB	2.8.17	9D

to the programs that would help streamline the programs, reduce complexity, and help the long-term financial sustainability of the state ICI program, which is currently not fully funded. As the memo about the ICI Program redesign proposal points out (Ref. GIB | 2.8.17 | 9B), the current makeup of the various disability programs and layers within the programs are confusing for members, employers and ETF staff. Assuming this goal is accomplished, it would help the oversight of both the redesign process and the programs themselves (e.g., for reporting metrics and presenting reports on claims experience) to have the streamlined programs under one board. It is important to note that our goal to streamline the disability programs would not affect the Duty Disability Program. In addition, the proposed changes would not affect the benefits of current disabilitants.

- Consolidating oversight of the disability programs to one board could reduce time and expense for both ETF staff and actuaries by eliminating duplicative meetings and actuary expenses (e.g., meeting travel).

As the previous memos indicate (Ref. GIB | 2.8.17 | 9A and 9B), last September the ETF Board approved changes to the LTDI and 40.63 programs. Those changes were the first step toward streamlining the disability programs and achieving the goal of one short-term and long-term disability plan. ETF prepared and submitted the scope statement to the Governor's Office for the LTDI and 40.63 administrative rule changes.

In addition to the changes to LTDI, the ETF Board in December supported the transfer of ICI and LTDI oversight (Ref. ETF | 12.15.16 | 4B). Such a change to ICI would require the attached statutory changes. If this recommendation to transfer all disability programs to the ETF Board is approved by the GIB, ETF will work with the Legislature and the Governor's Office on the changes, and the shift from the GIB to the ETF Board will be effective upon potential enactment of the statutory changes.

Staff will attend the February 8, 2017, meeting to discuss this in further detail and answer any questions.

Attachment: Statutes Affected by Transferring Authority of the ICI Program from the GIB to the ETF Board

Attachment

Statutes affected by transferring authority of the ICI program from the GIB to the ETF Board

40.03 (2) (ig) (The Secretary) Shall promulgate, with the approval of the group insurance board, all rules required for the administration of the group health, long-term care, ~~income continuation~~ or life insurance plans established under subchs. IV to VI and health savings accounts under subch. IV.

40.61(2) Except as provided in sub. (4), any eligible employee may become covered by income continuation insurance by electing coverage within 30 days of initial eligibility, to be effective as of the first day of the month that first occurs during the 30-day period, or by electing coverage within 60 days of initially becoming eligible for a higher level of employer contribution towards the premium cost to be effective as of the first day of the month following the date of eligibility for teachers employed by the university and effective as of the following April 1 for all other employees. Any employee who does not so elect at one of these times, or who subsequently cancels the insurance, may not thereafter become insured unless the employee furnishes evidence of insurability under the terms of the contract, or as otherwise provided by rule for employees under sub. (3), at the employee's own expense or obtains coverage subject to contractual waiting periods if contractual waiting periods are provided for by the contract or by rule for employees under sub. (3). An employee who furnishes satisfactory evidence of insurability under the terms of the contract shall become insured as of the first day of the month following the date of approval of evidence. The method to be used shall be determined by the ~~group insurance board~~ ~~employee trust funds board~~ under sub. (1).

40.61 (3) Any employer under s. 40.02 (28), other than the state, may offer to all of its employees an income continuation insurance plan through a program offered by the ~~group insurance board~~ ~~employee trust funds board~~. Notwithstanding sub. (2) and ss. 40.05 (5) and 40.62, the department may by rule establish different eligibility standards or contribution requirements for such employees and employers and may by rule limit the categories of employers which may be included as participating employers under this subchapter.

40.62 Income continuation insurance benefits.

(1) The ~~group insurance~~ ~~employee trust funds~~ board shall establish an income continuation insurance plan providing for full or partial payment of the financial loss of earnings incurred as a result of injury or illness with separate provisions for short-term insurance with a benefit duration of no more than one year and long-term insurance covering injury or illness of indefinite duration. Employees insured under the plan shall be eligible for benefits upon exhaustion of accumulated sick leave and completion of the elimination period established by the ~~group insurance~~ ~~employee trust funds~~ board.