

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

<p>1. Type of Estimate and Analysis <input checked="" type="checkbox"/> Original   <input type="checkbox"/> Updated   <input type="checkbox"/> Corrected</p>	<p>2. Date April 20, 2017</p>
<p>3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) ETF 50</p>	
<p>4. Subject Closing the Long-Term Disability Insurance program (LTDI) to new claims and re-opening the Wis. Stat. §40.63 Disability Annuity Program.</p>	
<p>5. Fund Sources Affected <input type="checkbox"/> GPR   <input type="checkbox"/> FED   <input type="checkbox"/> PRO   <input type="checkbox"/> PRS   <input type="checkbox"/> SEG   <input type="checkbox"/> SEG-S</p>	<p>6. Chapter 20, Stats. Appropriations Affected</p>
<p>7. Fiscal Effect of Implementing the Rule <input checked="" type="checkbox"/> No Fiscal Effect   <input type="checkbox"/> Increase Existing Revenues   <input type="checkbox"/> Increase Costs <input type="checkbox"/> Indeterminate   <input type="checkbox"/> Decrease Existing Revenues   <input type="checkbox"/> Could Absorb Within Agency's Budget <input type="checkbox"/> Decrease Cost</p>	
<p>8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy   <input type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units   <input type="checkbox"/> Public Utility Rate Payers <input type="checkbox"/> Small Businesses (if checked, complete Attachment A)</p>	
<p>9. Would Implementation and Compliance Costs Be Greater Than \$20 million? <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No</p>	
<p>10. Policy Problem Addressed by the Rule ETF is currently administering five disability programs for state and local government employees, including two long-term disability programs, where only one long-term program is needed. ETF currently administers the Disability Annuity (40.63) program, the Long-Term Disability Insurance (LTDI) program, the Duty Disability (40.65) program, and the State and Local Income Continuation Insurance (ICI) programs. The goal of the LTDI closure is to streamline the administration of disability benefits, reduce duplication, reduce costs, and reduce complexity and confusion for employers and employees.</p>	
<p>11. Summary of the businesses, business sectors, associations representing business, local governmental units, and individuals that may be affected by the proposed rule that were contacted for comments. Information, including the proposed rule language, will be made available by posting on the ETF website and the Wisconsin administrative rules website and by submitting the information to the Governor's Office of Regulatory Compliance.</p>	
<p>12. Identify the local governmental units that participated in the development of this EIA. None</p>	
<p>13. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred) No substantive impact is anticipated.</p>	
<p>14. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule Streamline the administration of disability benefits, reduce duplication, reduce costs, and reduce complexity and confusion for employers and employees.  An alternative to closing LTDI to new claims would be to continue to run out the 40.63 program and eventually leave LTDI as a remaining long-term disability benefit for WRS members. However, it is difficult to estimate how long 40.63 will take to run out, as it is a lifetime benefit and it is still approving claims from the approximately 33,000 members that</p>	

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remain eligible for the benefit. It has been 23 years since LTDI was created and it will likely take even longer to completely run out 40.63 benefit payments. For example, a member, aged 45 applying for 40.63 today, who lives to age 90 will be on the benefit for 45 years. When survivor benefits are included, the runout period gets even longer. LTDI, on the other hand, will take approximately 37 years to run out because benefits will cease once a claimant reaches age 65, if not sooner.

Maintaining LTDI in its current form will necessitate development in the department's new Benefit Administration System (BAS/myETF), which is currently being constructed. And it will require ETF to continue to request bids from outside vendors to administer the program. ETF estimates that this contracted amount will cost at least \$1.2 million annually. There is also a concern with obtaining competitive bids for program administration if LTDI is bid out with the ICI program. The 40.63 program, on the other hand, is already administered in-house as a part of ETF's current systems and as a result will be part of the BAS/myETF development.

A similar alternative to maintaining the status quo also includes maintaining the current LTDI program but bringing administration of the program in-house rather than contracting for its administration. This alternative will require additional development in BAS/myETF. ETF estimates that this alternative would save approximately \$1.2 million annually in TPA fees, but it raises the same issues with running out the 40.63 program as the previous alternative and also includes additional BAS/myETF development costs.

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15. Long Range Implications of Implementing the Rule  
Eventually operating one long-term disability program for Wisconsin Retirement System members.

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16. Compare With Approaches Being Used by Federal Government  
The Federal Employee Retirement System offers a disability retirement benefit in the form of an annuity.

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17. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)  
All neighboring states offer disability benefits to public employees.

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This document can be made available in alternate formats to individuals with disabilities upon request.

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**ATTACHMENT A**

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1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

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2. Summary of the data sources used to measure the Rule's impact on Small Businesses

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3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
  - Less Stringent Schedules or Deadlines for Compliance or Reporting
  - Consolidation or Simplification of Reporting Requirements
  - Establishment of performance standards in lieu of Design or Operational Standards
  - Exemption of Small Businesses from some or all requirements
  - Other, describe:
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4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

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5. Describe the Rule's Enforcement Provisions

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6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

- Yes    No
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