

Wisconsin Retirement System

Disability Retirement Benefits

(§40.63)



September 2009

Topics

- Purpose of the Program
- Definition of Disability
- Eligibility
- Benefit Calculation
- Spouses and Domestic Partners
- Payment Options
- Taxability
- Application Process
- Annual Requirements
- Suspension or Termination of Benefits
- Insurance Coverage

2

Additional References



**DISABILITY
BENEFITS**

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931
ET-5102 (REV 11/2006)

**Visit the ETF
Web site:**

etf.wi.gov

3

Purpose

To provide a monthly lifetime *disability retirement* benefit for covered employees who are unable to work until *Normal Retirement Age (NRA)* due to a disability

4

Definition of Disability

Inability to engage in substantial gainful activity because of a medically-determinable impairment (mental or physical) that is expected to result in death or to last indefinitely

What is "substantial gainful activity"?
Employment in any position for which compensation will exceed \$12,612 in 2009 (amount is adjusted annually)

5

Eligibility

6

Eligibility

Several factors determine qualification

- Dates of employment
- Length of service
- Status as a participating employee
- Age at time of application
- Employer certification
- Medical evidence

7

Eligibility

Dates of Employment

If continuously employed under the WRS since 10/15/1992 or before, can *choose* to apply for either

Disability Retirement (40.63)

or

Long-Term Disability Insurance (LTDI)

* If employment began or resumed after 10/16/1992 only eligible for LTDI

8

Eligibility

Length of Service

- Must have either:
 - A *total* of at least 5 years of creditable service within last 7 years (includes year of application)
 - OR
 - At least .5 year creditable service in 5 of the last 7 years (includes year of application)

If requirement not met, may still be eligible if:

- Disability is work-related *and*
- Application is filed within 2 years after last day worked

Eligibility

Participating Employee Status



- Must still have retirement funds on account with ETF
- No “substantial gainful activity” in 12 consecutive months since WRS employment terminated

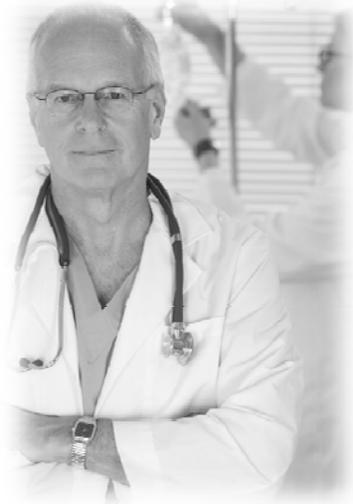
10

Eligibility	
Age at Application	
Must be <u>under</u> "Normal Retirement Age" (NRA)	
Employment Category	Normal Retirement Age
Protective Occupation Employees with 25+ years of creditable service	53*
Protective Occupation Employees with <25 years of creditable service	54*
Executive Retirement Plan Employees & Elected Officials	62
General Employees and Teachers	65
*Exception: Protective employees may apply for the benefit under the "special" eligibility provision up until they reach age 55	

Eligibility	
Employer Certification	
<ul style="list-style-type: none"> • Must not be entitled to further earnings from WRS employer • Employer must certify <ul style="list-style-type: none"> – Individual is not expected to return to work – Not contesting disability – Individual has terminated employment through the WRS 	
12	

Eligibility

Medical Evidence



- Two licensed and practicing physicians must certify that applicant meets definition of disability
 - One must be specialist in area of disability
 - Physicians return forms directly to ETF

13

Special Eligibility

Protective Occupations




- Firefighters and law enforcement officers who can no longer perform position duties
- Must meet creditable service requirement
- Must become disabled on/after age 50, but before age 55
- Must have at least 15 years creditable service

14



Benefit Calculation



Benefit Calculation



Based on Effective Date:

- Day after last day for which earnings are paid
Or
- Up to 90 days before application received date
– Effective the first of the next month

Earnings delay the effective date
(sick leave, vacation, holiday pay, sabbatical)

16

Benefit Calculation

Retirement benefits are always paid based on the higher of two calculations

Formula

Based on years of creditable service, average earnings, formula factors, and variable adjustment (if applicable)

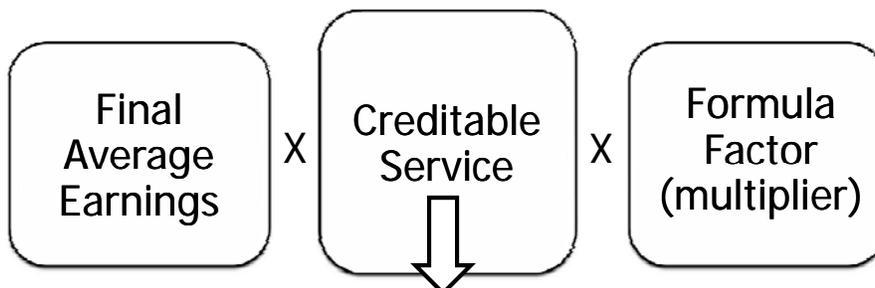
Money Purchase

Based on account balance (\$) and age

17

Benefit Calculation

By statute *disability retirement* benefits are calculated using the *formula* calculation only



Includes assumed service as though worked until NRA

18

Benefit Calculation



If assumed service does not produce a higher disability benefit, applicant receives a disability and a regular retirement application (if minimum retirement age)

May only apply for one of the benefits

19

**Sample
Benefit Calculation**

20

Benefit Calculation

Final Average Earnings

Divide total of three highest years earnings by number of months (decimal equivalent) represented by those earnings

<u>Year</u>	<u>Earnings</u>	<u>Service</u>
2008	\$55,848	1.0
2007	\$53,416	1.0
2006	\$51,232	1.0
$\\$160,496 \div 3.0 \div 12 \text{ months} = \\$4,458$		

21

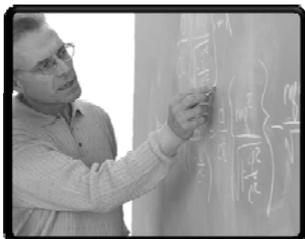
Benefit Calculation

Creditable Service

- Includes all earned WRS service up to date of disability
- and
- Includes all **"Assumed Service"**
 - Those years between date of disability and normal retirement age for individual's employment category

22

Benefit Calculation



Formula Factors

	Creditable Service	
	Before 2000	After 1999
General/Teacher	.01765	.016
Protective with Social Security	.02165	.020
Protective w/out Social Security	.02665	.025
Elected/Executive	.02165	.020

Formula Calculation Sample

<u>Service</u>	
Years of <u>actual</u> service under WRS	22.29
Years of <u>assumed</u> service	+ 11.76
Total years of creditable service	= 34.05

Final Average Monthly Earnings - \$4,458			
	Before 2000	After 1999	Assumed
Formula Factors	x .01765	x .016	x .016
Creditable Service	x 13.04	x 9.25	x 11.76
Sub total	\$1,026	\$ 660	\$ 838
After Age Reduction applied	\$740	\$1,215	\$475
			\$1,309
Total = "Annuitants Life Only"		\$2,524	

24



Spouses and Domestic Partners



25



Spouses/Domestic Partners



Domestic Partners (DP) provision is effective January 1, 2010

- DP's must meet specific conditions
 - see specifics on our web site
- Participants must file an *Affidavit of Domestic Partnership* with ETF
 - Certifies that requirements under WI Chapter 40 are met

26

Monthly Payment Options

Sample Benefit Amounts

Annuity Payment Options	Death Benefit Guaranteed	Straight Life	Monthly Total
Life Annuity Options			
For Annuitant's life only	--	\$ 2,524	\$2,524
Life w/60 pmts Guaranteed	\$1,210	\$ 1,309	\$2,519
Life w/180 pmts Guaranteed	\$1,169	\$ 1,309	\$2,478
Joint and Survivor Annuity Options			
75% Con't to Named Survivor	\$1,038 *	\$ 1,309	\$2,347 *
100% Con't to Named Survivor	\$ 989	\$ 1,309	\$2,298
Reduced 25% on Death of Annuitant or Named Survivor	\$1,047 *	\$ 1,309	\$2,356 *
100% Con't to Named Survivor with 180 pmts Guaranteed	\$ 988	\$ 1,309	\$2,297

*Amount shown is prior to 25% reduction upon death

Monthly Payment Options

Sample Application

BENEFIT PAYMENT OPTIONS (based on above data)

Check only one box for your *Monthly Disability Benefit*. Check one box under *Employee Additional Contributions Benefit* if employee additional contributions at this time.

	MONTHLY DISABILITY BENEFIT		
	Death Benefit Guaranteed Portion	Straight Life Portion	TOTAL Monthly Benefit
Life Annuity Options:			
• For Annuitant's Life Only <input type="checkbox"/>		\$2,524	\$2,524
• Life with 60 Payments Guaranteed <input type="checkbox"/>	\$1,210	\$1,309	\$2,519
• Life with 180 Payments Guaranteed <input type="checkbox"/>	\$1,169	\$1,309	\$2,478
Joint and Survivor Annuity Options:			
Named survivor, birthdate and relationship used in estimate: <input type="text"/>			07/02/1961
• 75% Continued to Named Survivor* <input type="checkbox"/>	\$1,038*	\$1,309	\$2,347*
• 100% Continued to Named Survivor <input type="checkbox"/>	\$989	\$1,309	\$2,298
• Reduced 25% on Death of Annuitant or Named Survivor* <input type="checkbox"/>	\$1,047*	\$1,309	\$2,356*
• 100% Continued to Named Survivor with 180 Payments Guaranteed <input type="checkbox"/>	\$988	\$1,309	\$2,297

28

Changing Payment Options



Can only be changed within 60 days of date on first payment

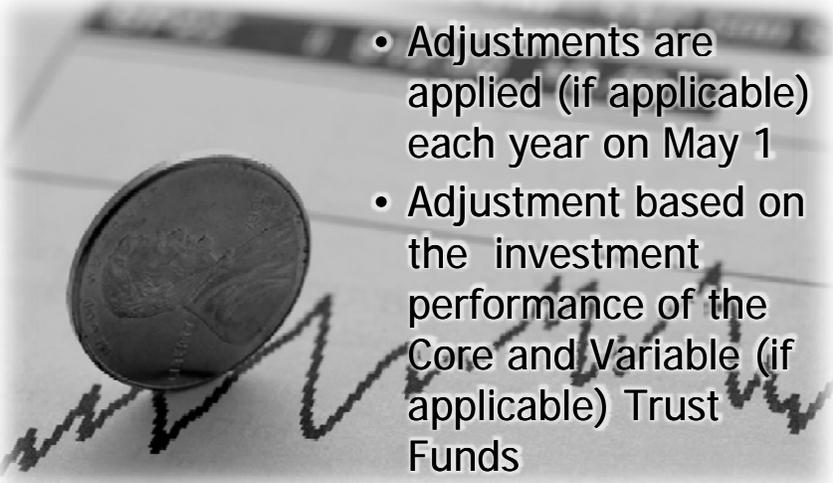
Consider your option carefully:



29

The slide features a woman on the left and a parking meter on the right. A callout box above the parking meter states that payment options can only be changed within 60 days of the first payment. A callout box below the woman says to consider the option carefully. An arrow points from the woman's callout to the parking meter.

Annual Annuity Adjustments



- Adjustments are applied (if applicable) each year on May 1
- Adjustment based on the investment performance of the Core and Variable (if applicable) Trust Funds

30

The slide shows a coin on a document with a line graph. The graph shows a fluctuating line that generally trends upwards. The text to the right of the image explains that annual adjustments are applied on May 1 based on the investment performance of the Core and Variable Trust Funds.

Spousal/DP Consent

- Spousal/Domestic Partner consent necessary if
 - Applicant is legally married, or has been in a Chapter 40 DP for one year or more **and**
 - Applicant selects an option *other than* a joint and survivor option naming spouse/DP as Named Survivor
- Exceptions
 - Domestic Partners not within the age limits on applicable *Joint and Survivor Annuity Options*
 - Applying for additional contributions only

31

Offsets

- No offsets (reductions) are taken from this benefit
- Disability Retirement can create an offset (reduction) to Income Continuation Insurance (ICI) benefits or other disability benefits from sources other than the WRS

32

Taxability

Benefits are taxable as ordinary income for federal and state taxes

ETF includes notice of taxable amounts with first benefit payment

Participants receive a 1099R form each January for tax purposes

May change tax withholding anytime

33

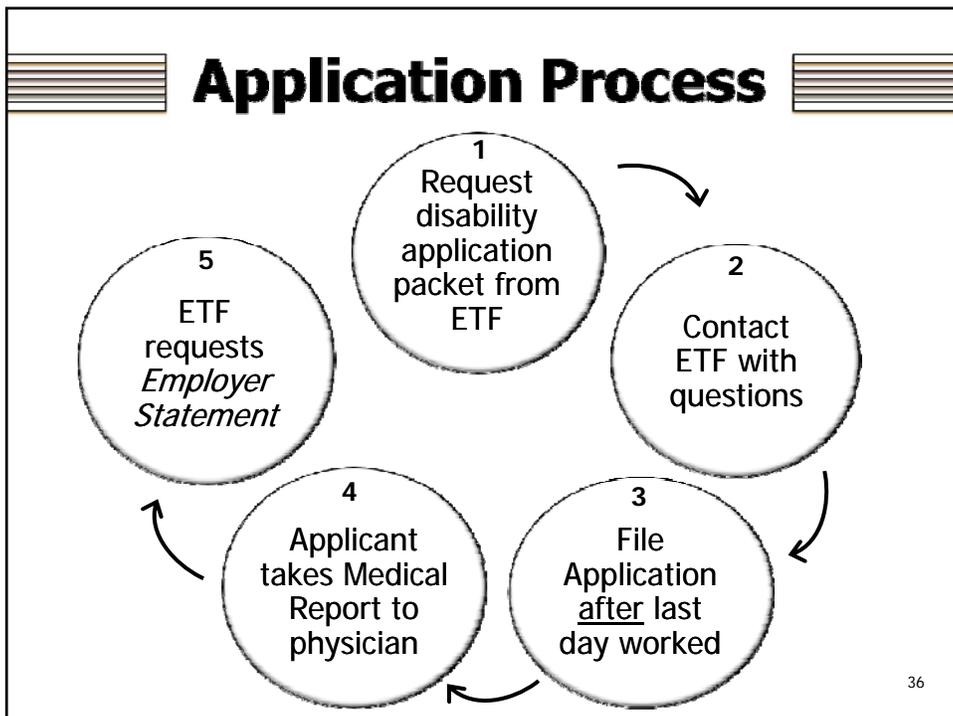
Tax Withholding Options

- 1) Elect to have nothing withheld
- 2) Request withholding by tax tables
 - May request additional amounts withheld
- 3) Name a specific amount to be withheld
 - State withholding only

34

Application Process

35



Application Process

Benefit Approval

If all requirements met:

- Application is approved
- Payments are made monthly by direct deposit
 - First of the month
 - Payment covers previous month



37

Application Process

If applicant dies during process

Can be “deemed approved” if:

- Completed application was on file
- At least one medical report was filed certifying disability
- Employer does not contest the disability, and no further earnings are payable

38

Application Process

Application Cancelled or Denied

- Cancelled:
 - If required documentation not received within 12 months of application date
 - If applicant requests in writing by 20th day after date of first disability check
- Denied:
 - If medical reports don't certify disability
 - Employer contests disability
 - Other eligibility requirements not met

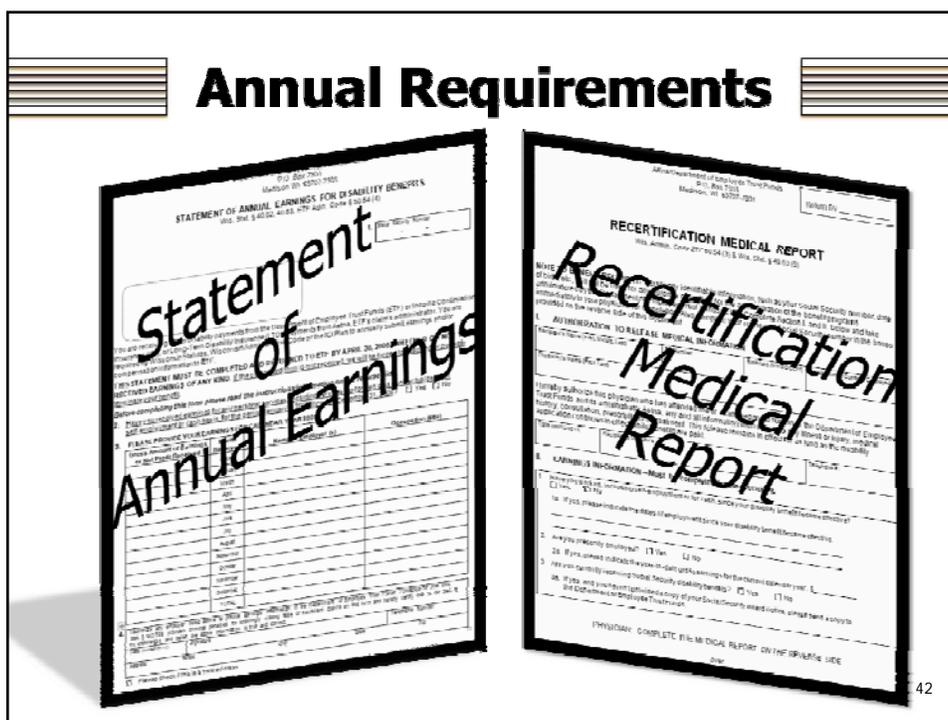
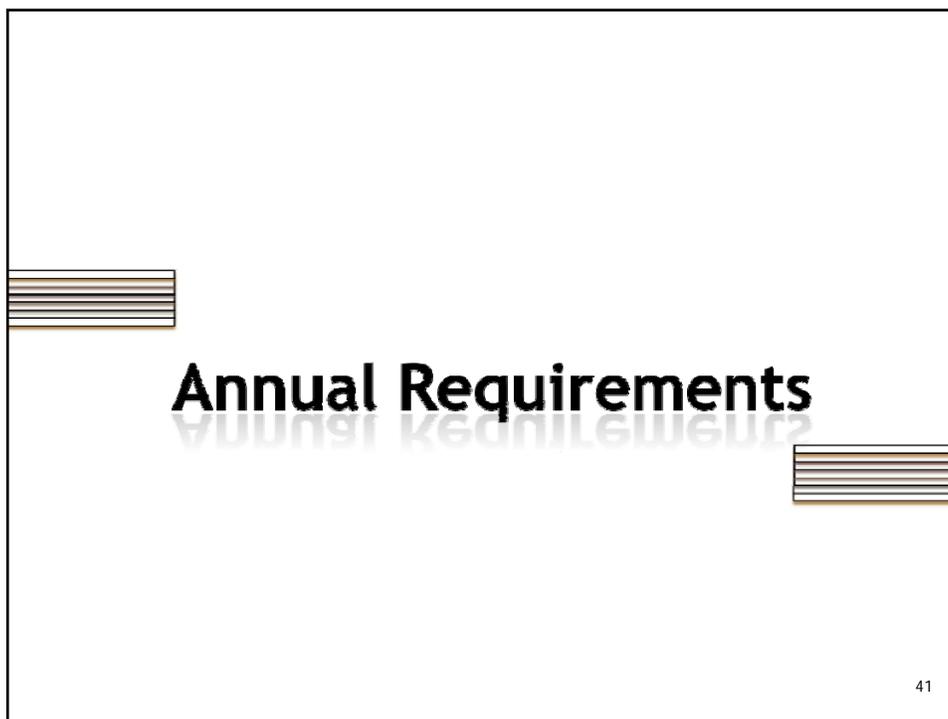
39

Denial/Cancellation Options

(May be able to choose more than one)

- Reapply, if eligible
- Apply for regular retirement benefit, if eligible
- Apply for separation benefit, if eligible
- Leave contributions in retirement system
- File appeal with appropriate board within 90 days of notice of denial or cancellation

40





Suspension or Termination of Benefits



43



Suspension of Benefits



Benefit can be suspended

- Exceed *Annual Earnings Limit* (2009=\$12,612)
 - If under normal retirement age (NRA)
 - If limit is reached, benefit is suspended
 - Reinstates January 1 the following year
 - Exception:
 - If approved under “special” disability, no earnings limit
- Annual limit is updated annually

44



Termination of Benefits



Benefit can be terminated

- No longer meet disability definition
 - physician determines
- Refusal or failure to submit financial or medical information
- If terminated, WRS retirement account is re-established by ETF
 - As if individual never received disability benefit
 - May apply for retirement or separation

45



Appeal Process



46

Appeal Process

Participant may submit written request for appeal to the appropriate Board within 90 days of ETF's decision



Any party may appeal to Dane County Circuit Court within 30 days of Board's adverse decision

47

Insurance Coverage

48

WRS Health Insurance

- Applicant pays health insurance premium until notified disability benefit is approved
 - Upon approval premiums may be
 - Deducted from monthly disability payment
 - Paid using sick leave credits (if applicable)
 - Paid directly to carrier
- If coverage lapsed, may re-enroll within 30 days of disability benefit approval



49

WRS Life Insurance

- Group Life Insurance offers waiver of premiums, if covered
 - Employer submits request to ETF after last day paid
 - Medical evidence may be required by life insurance company
 - Applicant should continue to pay premiums until notified that waiver is approved
- If disability benefit is approved, waiver granted automatically

50

