

Wisconsin Retirement System
Long-Term Disability Insurance
(LTDI)



December 2008

Overview

- Definition of disability for LTDI program
- Eligibility
- Benefit calculation and duration
- Supplemental retirement contributions
- How to file a claim
- What happens after filing a claim?
- Annual requirements
- Suspension or termination of benefits
- Effects of returning to work
- What if I disagree?
- Other insurance
- Contact information

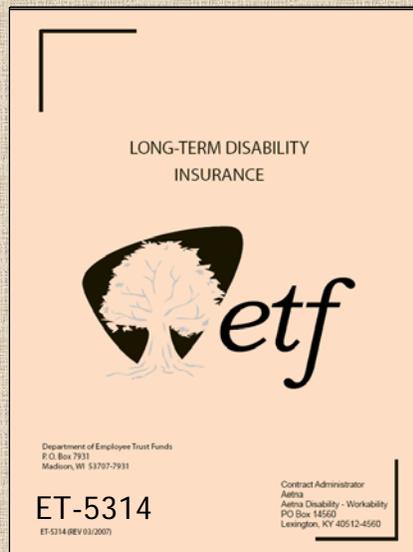
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Administration

- The LTDI program is administered by a Third Party Administrator (TPA)
- This is an employer-paid benefit, part of the Wisconsin Retirement System trust fund

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Additional Reference



Purpose

Partial income replacement for covered employees with total and permanent disabilities

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Definition of Disability

Definition of Disability for LTDI

- Medically determinable mental or physical impairment
- Indefinite duration or resulting in death
- Condition caused individual to cease working and prevents any "substantial gainful activity"
 - Employment for which compensation will exceed \$12,069 in 2008
 - Amount is increased annually

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Eligibility

Dates of Employment

- Only eligible for LTDI if began or resumed covered WRS employment on or after 10/16/1992
- Can *choose* either LTDI or 40.63 Disability Retirement *if continuously* employed since 10/15/1992 or before
 - When choosing LTDI, must sign irrevocable election form waiving all rights to benefits under §40.63



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Length of Service

- Minimum service requirement is .33 years of creditable service per year in 5 of last 7 years
 - If this requirement is not met, the claim may still be approved if:
 - Disability is work-related and
 - Claim is filed within 2 years after last day worked

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Participating Employee

- Must have a WRS account
- No substantial gainful activity in 12 consecutive months since WRS employment ended

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Employer Certification

- Must not be entitled to any further earnings from WRS employer
- Employer must certify that
 - individual is not expected to return to work
 - employer is not contesting disability



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Special Eligibility -- Protective Occupations



- Firefighters and law enforcement who can no longer perform duties
- Must still meet service requirements
- Must become disabled on or after age 50, but before age 55
- Must have at least 15 years of creditable service

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Benefit Calculation and Duration

Benefit Effective Date

- Day after last day for which earnings are paid **OR**
- No earlier than 90 days before claim received date -- then effective on the first of the next month



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Benefit Effective Date

- Earnings, either lump sum or when continued on payroll, will delay effective date:
 - sick leave
 - vacation
 - holiday pay
 - sabbatical



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Monthly Benefit Amount



- Initial amount
 - 40% of Final Average Salary
 - If not covered by Social Security based on own (not spouse's) work record, then 50% of Final Average Salary
- Recipient's benefit amount may be adjusted every year on May 1 check

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Benefit Calculation - Sample

- A full-time employee became disabled on 1/20/2008
- The last day for which earnings were paid is 1/31/2008

Use 3 high years of earnings:

Year	Earnings
2005	\$36,292
2006	\$36,558
2007	<u>\$37,130</u>
TOTAL	\$109,980 ÷ 36 (months) = \$3,055 Final Ave Salary

\$3,055 (FAS) x 40% = \$1,222 per month LTDI benefit

Or, for participants not eligible for Social Security:

\$3,055 x 50% = \$1,527 per month LTDI benefit

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Taxes

LTDI benefits are taxable

- The applicant fills out a W-4 form, and can update that form at any time



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Benefit Reductions/Offsets

- Benefits are offset (reduced) by taxable portion of any WRS retirement benefits at age 62 or normal retirement age, whichever is later
- Estimated offsets may apply
- If individual takes WRS account as lump sum, LTDI is suspended until amount equal to the taxable portion of the lump sum is recovered

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WRS Offset Example

Monthly LTDI benefit	\$ 1,222
WRS retirement annuity	<u>- 1,062</u>
LTDI monthly benefit	\$160

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Duration of Benefits



- Normally ends at age 65
- If 61 or older when LTDI begins, may be payable longer

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Duration of Benefits

Age at LTDI Effective Date	LTDI Benefit Ends
Before age 61	End of month when reach age 65
61 or 62	End of month—age 66
63 or 64	End of month—age 67
65 or 66	End of month—age 68
67	End of month—age 69
68	End of month—age 70
69 or older	12 months after LTDI benefit effective date

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Supplemental Retirement Contributions

Supplemental Contributions

- Contributions are credited to member's WRS retirement account while receiving LTDI
- 7% of Final Average Salary



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Monthly Supplemental Contributions-- Requirements

Contributions are credited to WRS retirement account *if:*

- LTDI benefits have not been terminated or suspended
- Have not earned WRS creditable service
- Have not taken a separation or retirement benefit
- Have not qualified to receive \$40.65 Duty Disability benefits

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Supplemental Contributions -- Returning to Work

- Supplemental contributions end upon return to WRS employment
- Non-WRS employment: supplemental contributions continue



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How to File a Claim

How to File a Claim



- Request and review disability benefit estimates from ETF
- Can file claim *after* last day worked
- Be sure to file claim in a timely manner, in order to meet length of service requirements

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Filing Process

- Member calls TPA at toll-free number
- TPA sends introductory packet to applicant
- Member completes and sends
 - signed *LTDI Repayment Agreement* (ET-5375) to TPA
 - possibly *LTDI Election Form* (ET-5321) to waive 40.63
- TPA sends *LTDI Employer Statement* (ET-5315) to employer
- Member takes *LTDI Medical Report* (ET-5338) to physician

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LTDI Medical Reports



- 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

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What happens after
filing a claim?

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Determination Process

- **Claim approved:** Required documentation must be received by TPA within 12 months of application date
- **Claim cancelled:** If required documentation not received
- **Claim withdrawn:** If member requests in writing
- **Claim denied:** If required documentation does not support approval



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Benefit Payment



- If claim is approved, payments are made monthly by direct deposit
 - Beginning of month
 - Payment covers previous month

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Denial of Claim

Options (May be able to choose more than one):

- Apply for a regular retirement benefit, if age appropriate
- Apply for separation benefit (if eligible)
- Reapply for LTDI (if eligible)
- Leave contributions in retirement system
- Request administrative review



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Annual Requirements

Annual Requirements



TPA will send to recipient:

- *Statement of Annual Earnings for Disability Benefits* (ET-5905), to report gross earnings for prior year
- *Recertification Medical Report* (ET-5909)

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Suspension or Termination of Benefits

Suspension or Termination of Benefits

- Exceeding Earnings Limit
 - First time - suspended
 - Second time - terminated
- Taking WRS benefit as “separation” or lump sum



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Suspension or Termination of Benefits -- Protective Occupations Under “Special” Eligibility

- Employment other than “protective”: LTDI suspended if exceed earnings limit
- LTDI “Special:” Terminated immediately upon re-employment in a law enforcement or firefighting position



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Termination of Benefits

- No longer meets disability definition
- Refuses or fails to submit financial or medical information
- Death - benefits are payable through date of death
 - there are no LTDI death benefits

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Effects of Returning to Work

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Returning to WRS Employment

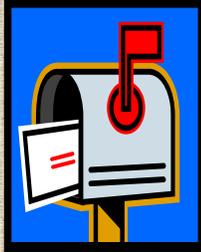
- If previously on LOA, then employer resumes reporting to WRS
- If previously terminated, then re-enroll in WRS
- If LTDI "Special" and return to *protective* position in WRS or non-WRS, then LTDI terminates

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What if I disagree?

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Administrative Review



- Participant may submit written request for *Departmental Determination* to ETF within 90 days of TPA decision notice
- If disagree with ETF's Departmental Determination, can make written request for *Appeal* to appropriate Board, within 90 days of Departmental Determination
- Any party may then appeal to *Dane County Circuit Court* within 30 days of Board's decision.

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Other Insurance

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WRS Health Insurance



- While *on leave of absence*, must pay monthly premiums to employer, to continue health insurance
- If employment is *terminated*, may sign up for COBRA and pay premiums directly to insurance carrier
- Once LTDI approved, health insurance premiums may be
 - paid directly to carrier **OR**
 - paid by using banked sick leave credits
- If coverage lapsed, may re-enroll within 30 days after LTDI approved

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WRS Life Insurance

- Group Life Insurance offers waiver of premiums, if covered
 - Employer must submit request to ETF within 36 months after last day paid
 - Medical evidence may be requested by life insurance company
 - Applicant should continue to pay premiums until notified that waiver is approved
- If LTDI is approved, waiver granted automatically

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Questions

- All questions regarding eligibility, requirements, claim status, etc. should be referred to TPA
- Contact information -- *Long-Term Disability Insurance* (ET-5314) brochure and ETF's web site



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The End

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