

LONG-TERM DISABILITY INSURANCE



ET-5108 (12/2/2016) Scan to read online.



Long-Term Disability Insurance

General Information.....	2
Benefit Calculation.....	3
Application Process.....	4
Approval.....	4
Denial of Benefits.....	5
Withdrawal of Claim.....	5
Cancellations.....	5
Insurance.....	6
Employment with a WRS Employer While Receiving Benefits.....	7
Annual Processes.....	7
Suspension or Termination of Benefits.....	8
Retirement Benefits Offset.....	9
Social Security.....	10
Taxability of Benefits.....	10
Definitions.....	11
Contact Information.....	12

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free at 1-877-533-5020 or 608-266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.

ETF has made every effort to ensure that this brochure is current and accurate. However, changes in the law or processes since the last revision to this brochure may mean that some details are not current. The most current version of this document can be found at etf.wi.gov. Please contact ETF if you have any questions about a particular topic in this brochure.



General Information

What is a Long-Term Disability Insurance (LTDI) Benefit?

LTDI is a disability insurance benefit under the Wisconsin Retirement System that is meant to provide you with income if you have become totally and permanently disabled.

The LTDI benefit is administered by the Department of Employee Trust Fund's third party administrator, currently Aetna.

Eligibility

You must meet all five conditions below in order to be eligible to apply for LTDI benefits:

- Since your service for the WRS terminated, your WRS account was not closed by taking a lump sum retirement or separation benefit prior to applying for LTDI. Once either of these benefits is paid, your WRS account is closed and you are no longer eligible to apply for LTDI benefits.
- You have stopped working (i.e. on a leave of absence or terminated your WRS employment) because of your disability.
- You had been working in WRS-covered employment until you became disabled.

Note: If you began working before October 16, 1992 and have not had a break in service, you may have the option to apply for a Disability Retirement benefit under Wis. Stat. § 40.63 instead of the LTDI benefit (you can only apply for one or the other). Contact ETF for the [Disability Retirement Benefits \(ET-5107\)](#) brochure or visit etf.wi.gov.

- You worked at least one-third of a year in five of the last seven years, *or* your disability is work related. If you do not meet this service requirement, but your disability is work related, you must apply within two years of your last day worked.
- You terminated your job because of your disability, and you have not had “substantial gainful activity” since then. (See definition of “substantial gainful activity” on page 11.)

If you are a protective occupation participant under the WRS, you may be eligible for the LTDI “special” benefit if:

- you meet all five of the general LTDI eligibility requirements,
- you became disabled between ages 50 and 55,
- you have at least 15 years of WRS service, and
- you can no longer perform the duties of your protective occupation position.

For this benefit, *the date you became disabled* is considered to be the day after your last day worked in full protective status.

If you are a protective occupation participant with a work-related disability, you may also be eligible for duty disability benefits under Wis. Stat. § 40.65. Contact ETF for the [Duty Disability & Survivor Benefits Booklet \(ET-5103\)](#) or visit etf.wi.gov for more information.

For additional information about substantial gainful activity, see earnings limit information under the “Disability Benefits” section on the members tab of the ETF website at etf.wi.gov.

Benefit Calculation

How the Basic Benefit is Calculated

Your basic monthly LTDI benefit is 40% of your Final Average Salary (FAS). If you are not eligible for Social Security benefits based on your own employment, your basic LTDI benefit will be 50% of your FAS. If you indicate that you are not eligible for Social Security benefits, the third party administrator will require that you provide proof of this from the Social Security Administration.

The basic monthly LTDI benefit payment is adjusted annually based on the performance of the WRS Core Fund. The same adjustments are made to monthly retirement annuities. This adjustment will appear on the check dated May 1.

The LTDI benefit effective date is normally the day after your last day for which earnings were paid. However, it can be no earlier than 90 days before your claim is filed. Benefits that are not effective on the day after your last day paid must always be effective on the first of a month. If you apply more than 90 days after your last day paid, you will not have the earliest possible benefit effective date and you will have lost a partial month, or more, of benefits.

Generally, LTDI benefits are payable only through the end of the month in which you reach age 65. However, if you are age 61 or older on the date your LTDI benefit becomes effective, your LTDI benefits may be payable longer. See the chart to the right.

Supplemental Contributions

In addition to your basic LTDI benefits, a supplemental contribution of 7% of your FAS may be paid into your WRS retirement account for each month that you are eligible for LTDI benefits. Your FAS is adjusted each year. These supplemental contributions increase the value of your WRS account. You are eligible for supplemental contributions as long as your LTDI benefits are not terminated or suspended, you are not earning WRS creditable service, you have not taken a separation or retirement benefit and you have not been approved for Duty Disability benefits.

The following chart shows the duration of benefits:

Your age on LTDI Effective Date	LTDI Benefit Ends
Before age 61	End of month in which you reach age 65
Age 61 or 62	End of month in which you reach age 66
Age 63 or 64	End of month in which you reach age 67
Age 65 or 66	End of month in which you reach age 68
Age 67	End of month in which you reach age 69
Age 68	End of month in which you reach age 70
Age 69 or older	12 months after LTDI benefit effective date

Benefit Calculation Example:

A full-time employee became disabled on December 20, 2015, and the last day for which earnings were paid is December 31, 2015. The basic monthly LTDI benefit would be as follows:

Year	Earnings
2013	\$ 45,100
2014	45,500
2015	<u>46,200</u>
TOTAL: \$ 136,800 ÷ 36 = \$3,800 FAS	

$\$3,800 \times 40\% = \$1,520$ per month basic LTDI benefit

or

For certain protective occupation and select teacher's group participants who are not eligible for Social Security benefits based on their own employment:

$\$3,800 \times 50\% = \$1,900$ per month basic LTDI benefit

Supplemental Contribution Calculation Example:

$\$3,800$ (FAS) \times 7% = \$266 per month

$\$266 \times 12$ months = \$3,192 per year

Application Process

How the Claim Process Works

- Contact ETF to request an LTDI benefit estimate packet (see *Contact Information*).
- Contact Aetna to file your claim. You cannot apply before your last day worked (see *Contact Information*).
- The Aetna customer service representative will collect basic demographic information including your name, Social Security number, birth date and current mailing address. They will also ask questions that relate to your claim, such as employer, the nature of your disability, last day worked and the name, address and telephone number of your attending and/or treating physician.
- An introductory packet will be mailed to you that includes medical reports for you to provide to your physicians.

The average timeframe for Aetna to process a claim is three to four months. It will depend on how quickly ETF receives both of the medical report forms from your physicians and how long it takes your employer to complete the employer paperwork.

Any questions pertaining to benefit plan requirements, claim status, etc., should be directed to Aetna.

Approval

Requirements for Claim Approval

- Two licensed physicians (M.D. or D.O.) must complete an *LTDI Medical Report* (ET-5338) or *LTDI Special Medical Report* (ET-5353) form stating that you are disabled. One of the doctors must specialize in the area of your disability. The *LTDI Special Medical Report* (ET-5353) form is for protective occupation members who meet the criteria for “special” benefits only.
- Your employer must verify that you have stopped working due to a disability and that you are not expected to return to work. Because of this, it is important that you communicate with your employer about your reason for ceasing employment.
- You must not be entitled to any further earnings from your employer. Any payment to which you may be entitled after your last day of work (such as vacation, compensatory time, sick leave, temporary workers compensation, etc.) is used in determining the last day for which you were paid. This includes lump sum payments for any remaining leave time. Your employer will be required to certify your last day paid.
- You may not be required to terminate your employment to be eligible to receive LTDI benefits. Depending on your employer’s personnel policy, you may be allowed to remain on a leave of absence for a maximum of 36 months, at which time you will be terminated for WRS purposes.
- You will receive a letter when your claim is approved, telling you how much your benefit will be and when it will start.

Denial of Benefits

If Aetna denies your claim for LTDI benefits and you disagree with the decision or determination, you have the right to request an administrative review from ETF. Your written request must be received by ETF within 90 days of the date of Aetna's initial determination letter.

If ETF upholds the initial denial, you have several options available. You may do one or more of the following:

1. Apply for a regular retirement benefit if you are at least age 55 (age 50 if you are a protective occupation participant). If you apply within 60 days of denial, this benefit would begin on the same date that the disability benefit would have begun had it been approved.
2. Apply for a separation benefit if you are under age 55 (age 50 if you are a protective occupation participant) or if you are not vested. A separation benefit entitles you to only your employer-required contributions, additional contributions (if any), plus accumulated interest. This means you are forfeiting your employer-required contributions, plus interest, and your entitlement to any future benefits from the retirement system based on your service prior to the separation. You also forfeit the right to reapply for LTDI benefits. Once you take a separation benefit, you are no longer considered a participating employee (*unless* you return to WRS-covered employment and meet all the requirements again). See the *General Information* section for program requirements.
3. Reapply for LTDI benefits. See the *General Information* section for program requirements.
4. Leave your contributions in the retirement system until a later date.
5. If you wish to contest ETF's findings, a written request for an appeal to the appropriate board under Chapter ETF 11, Wis. Adm. Code, must be received by ETF within 90 days following the date of your denial notice (see the *Contact Information* section).

Withdrawal of Claim

You may withdraw your LTDI claim by submitting a written request to Aetna up until the date of the first payment (check).

Cancellations

ETF must receive the two qualifying medical reports and your employer's certification within 12 months of the date you file your LTDI claim by telephone or the date your paper claim is received by ETF. If these forms are not received by ETF within the one-year time frame, your LTDI claim must, by law, be cancelled.

If your LTDI claim is cancelled, the options available to you are explained in the *Denial of Benefits* section.

Insurance

Group Life Insurance Waiver of Premium

If you are currently insured under the Wisconsin Public Employers Group Life Insurance Program, you may be eligible to continue coverage without further premium payments if your LTDI benefit is approved. However, in order to avoid a lapse in coverage, be sure to pay your premiums until you are notified that they are being waived. See the *Group Life Insurance After You Terminate Employment (ET-4104)* brochure for more information, available online at etf.wi.gov or from ETF.

Group Health Insurance Coverage

If you are covered under the Group Health Insurance Program administered by ETF, you may be eligible to continue coverage. You would be responsible for paying the full premium. If your health insurance has lapsed or you are currently on COBRA, you will have one chance to apply for health insurance coverage once your LTDI benefit is approved.

Premiums will be directly billed to you by the insurance carriers or paid from your unused sick leave credits. In order to bank your unused sick leave, you must terminate WRS employment; you cannot stay on a leave of absence. See the *Group Health Insurance (ET-4112)* brochure and the *Sick Leave Credit Conversion Program (ET-4132)* brochure for more information, available online at etf.wi.gov or from ETF.

Medicare Supplement Insurance

To keep your WRS group health insurance, you must enroll for both Parts A and B of Medicare (Hospital and Medical) when first eligible.

It is your responsibility to notify ETF when you and other family members enroll in Medicare. Use a *Medicare Eligibility Statement (ET-4307)* form to inform us of your Medicare effective dates, available online at etf.wi.gov or from ETF. You must also provide a photocopy of your Medicare card.

Income Continuation Insurance (ICI)

If you are receiving ICI benefits, LTDI reduces the amount you receive from ICI. The original amount of your LTDI benefit will be subtracted from your ICI payment if the LTDI payments cover the same period as ICI payments. For more information, see the *state (ET-2106)* or *local (ET-2129)* *Income Continuation Insurance* brochures, available online at etf.wi.gov or from ETF.

Employment with a WRS Employer While Receiving Benefits

If, after you begin receiving LTDI benefits, you return to work for a WRS employer and are eligible to be covered under the WRS again, you will be covered as an active, participating employee. Your employer will report your earnings and service to ETF.

The earnings and service will be credited to your WRS account based on your active employment. You will not be eligible for the LTDI supplemental contributions for any month in which you earn creditable WRS service.

You must inform your LTDI case owner at Aetna immediately of any employment (see the *Contact Information* section). You must also inform your WRS employer if you are receiving a monthly benefit from the LTDI program.

For information on exceeding the earning limit, see the *Suspension or Termination of Benefits* section.

Annual Process

Earnings Statement

Each year you will be required to complete a *Statement of Annual Earnings for Disability Annuitants* (ET-5905) form. You must complete and return the statement whether or not you received earnings. Failure to complete and return the form by the required due date or providing incorrect information may cause your benefit to be suspended or terminated.

If you have returned to work or are self employed, you will be required to report the amount of earnings, employer(s) name and occupation for each calendar month you received earnings. "Earnings" means wages and/or salary received for providing a personal service, including service performed on a contractual basis or self employment.

Medical Recertification

If you are approved for the LTDI benefit, you may be required to provide annual medical evidence that you continue to be disabled. When providing the medical evidence, your last examination date must be within 12 months of the date the physician signs the *Recertification Medical Report* (ET-5909) form.

Annual medical recertification may continue for as long as you are eligible to receive monthly LTDI payments. It is extremely important that you complete the recertification process in a timely manner to remain eligible to receive the monthly benefit.

Suspension or Termination of Benefits

No Longer Meet Disability Definition

If we receive your annual medical recertification and your physician indicates that you are able to perform the duties of any occupation for which the annual compensation would exceed the earnings limitation, your LTDI benefit will be terminated.

Exceeding the Annual Earnings Limit

Each year you will be required to certify your earnings from all employment with the annual earnings statement. If, in a calendar year, you earn more than the statutory earnings limit amount, you are required to notify your LTDI case owner immediately. The first time you reach your earnings limit, your LTDI benefit will be suspended effective the first of the month in which you exceeded the annual earnings limit. If your benefit is suspended, we will advise you of when your benefit can resume. The second time you reach your earnings limit, your LTDI benefit will be terminated.

Please visit etf.wi.gov and see “Disability Benefits” under the “Members” tab for the current annual earnings limit amount.

Special Provisions for Protective Occupation Employees:

If you are a protective occupation employee who was approved for LTDI benefits because you could no longer perform the duties of your protective occupation position, your benefits will be terminated immediately upon re-employment in a law enforcement or firefighting position.

If you are employed in a position other than law enforcement or firefighting, your LTDI benefits will be suspended, but not terminated, if you earn more than the earnings limit.

Death

LTDI benefits are payable only through the date of your death; the LTDI program has no death benefit. However, upon your death, a benefit may be payable from your WRS account.

- If your WRS employment status is **active (you have not terminated WRS employment)**, the death benefit will include your entire WRS account balance, including any LTDI supplemental contributions.
- If your WRS employment status is **inactive (you have terminated WRS employment)**, the death benefit will include only your employee required contributions, additional contributions (if any) and any LTDI supplemental contributions.
- If your monthly retirement benefit has already begun, any death benefit will be based on the annuity option that you selected.
- If you closed your WRS account by taking a lump sum or separation benefit, there would be no death benefit available.

See the *Death Benefits (ET-6101)* brochure, available online at etf.wi.gov or from ETF.

Retirement Benefits Offset

LTDI benefit recipients may also apply for WRS retirement benefits. The LTDI benefit will be offset (reduced) by the taxable portion of your WRS retirement benefit. Payment of the LTDI supplemental contributions into your WRS account will also cease once you start receiving your WRS retirement benefit. You are not required to apply for WRS retirement benefits prior to your normal retirement age or age 62, whichever is later (see below).

Normal Retirement Age

- General Employees and Teachers: 65
- Protective Occupation Employees with less than 25 years of service: 54
- Protective Occupation Employees with at least 25 years of service: 53

In some cases, it is in your best interest to apply for retirement benefits early. Such situations include:

- Your retirement benefit will be greater than an amount you would receive under LTDI.
- You have a terminal illness, have terminated WRS employment and wish to leave a higher death benefit to your beneficiaries.

Prior to reaching your Normal Retirement Age or age 62, whichever is later, you will receive a notice from Aetna to apply for your WRS retirement benefit if you have not already done so. If you choose not to apply, your monthly LTDI benefits will be reduced by the taxable amount of the highest retirement annuity you would be eligible to receive.

When applying for a retirement benefit at normal retirement age, it is often beneficial to choose the retirement annuity effective date that is the first of the month after you reach your normal retirement age. This would maximize the supplemental contributions paid into your retirement account and avoid unnecessary overpayments due to duplication of benefits.

Offset Calculation Examples

If you are receiving a monthly retirement benefit, your LTDI will be reduced by the taxable portion of the retirement annuity option you select.

Example—Monthly Benefits:

- Your LTDI benefit is \$1,000/month. You chose a retirement annuity option that pays \$800/month (\$20 is non-taxable).
- Your LTDI benefit would be reduced by \$780/month (the taxable portion of your retirement benefit).
- Your LTDI benefit will now be \$220/month. (\$1,000 minus \$780/month = \$220/month in LTDI benefits).

If the taxable portion of your retirement benefit exceeds your LTDI benefit amount, you will no longer receive any monthly LTDI payments.

If you receive a lump sum payment (either a lump sum retirement or a separation benefit), your LTDI benefit will be suspended until the taxable portion of your lump sum payment has been recovered.

Example—Lump Sum Benefit:

- You receive a lump sum payment of \$10,000 that is fully taxable.
- Your LTDI benefit is \$1,000/month. You will not receive an LTDI benefit for 10 months. (\$10,000 divided by \$1,000/month = 10 months)

Social Security

You can contact the Social Security Administration at 1-800-772-1213 or visit www.ssa.gov for a projection of your Social Security benefits.

Remember, Social Security is a federal benefit and is separate from your WRS benefit. Social Security Disability Insurance (SSDI) benefits will not reduce your LTDI benefit.

However, if you are approved for SSDI, the LTDI annual medical recertification requirement may be waived. Therefore you should send ETF a copy of your SSDI award letter, once available.

Taxability of Benefits

LTDI benefits are taxable since you did not pay premiums for long-term disability insurance coverage. However, you may qualify for the IRS Disability Income Tax Credit.

For more information on federal income taxes and the tax status of your LTDI benefits, contact the Internal Revenue Service at www.irs.gov and request Publication 524, *Credit for the Elderly or the Disabled*.

Definitions

Break in service—A break in service occurs when an employee terminates all WRS employment and a period of time intervenes before the employee returns to WRS employment. A break in service can be as short as one work day. In order to avoid a break in service, a member must be continuously employed by successive WRS employers without intervening periods of either unemployment or employment with non-WRS employers. Some exceptions to this are teachers during summer break and protective occupation employees with alternative work schedules.

For example, an employee who normally works Monday through Friday, terminates employment on a Thursday, takes an unpaid day off on Friday, and has a hire date of the following Monday with another WRS employer. This employee has a break in service. If this same employee terminates employment on Friday, there would be no break in service.

Disability—the inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or to be of a long-continued and indefinite duration. (See definition of “medically determinable impairment” below.)

Earnings limit—the maximum amount of money you can make in a year without affecting your LTDI benefit. This amount changes each year. Visit etf.wi.gov for the current year’s earnings limit.

Final Average Salary (FAS)—the total amount of earnings you received during your three highest annual earnings periods, divided by 36 months. The FAS calculation is different for participants who do not meet the LTDI service requirement but are eligible because their disability is work-related.

Medically determinable impairment—an impairment that has medically demonstrable anatomical, physiological or psychological abnormalities. The described abnormalities are medically determinable if they manifest themselves as signs or laboratory findings apart from symptoms that are not medically determinable.

Protective Occupation Participant—any WRS member whose duties include active law enforcement, or active fire suppression or prevention, with frequent exposure to danger, and requiring a high degree of physical conditioning (examples: firefighter, police officer, correctional officer).

Substantial Gainful Activity—any work for which the compensation will exceed the earnings limit. (See definition of “earnings limit” in the column to the left.)

Contact Information

See back cover for ETF contact information.

Contact the LTDI Administrator: Aetna

Toll Free: 1-800-960-0052

Fax: 1-866-667-1987

Aetna, Inc.

P.O. Box 14560

Lexington, KY 40512-4560

ICILTDI@Aetna.com

Contact ETF

Visit us online at etf.wi.gov

Find Wisconsin Retirement System benefits information, forms and publications, benefit calculators, educational offerings, email and other online resources.

Call us toll free at 1-877-533-5020 or 608-266-3285 (local Madison)

Benefit specialists are available 7:00 a.m. to 5:00 p.m. (CST) Monday-Friday

Self-Service: Order forms and brochures, or change your address information
24 hours a day, 7 days a week.

Wisconsin Relay Service: 7-1-1

Write or Return Forms

P.O. Box 7931
Madison, WI 53707-7931

Visit by Appointment

801 West Badger Road
Madison, WI 53713
7:45 a.m. to 4:30 p.m.

