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Correspondence Memorandum

Date: August 20, 2021

To: Employee Trust Funds Board

From: Jim Guidry, Director
 Benefit Services Bureau
 Division of Retirement Services

Subject: April – June 2021 Disability Programs Update

This memo is for informational purposes only. No Board action is required.


Attached is the Wisconsin Retirement System (WRS) *2021 Second Quarter Disability Programs Update* for the period April 2021 through June 2021. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type. It may be noted that the impact of the annual benefit adjustment can be seen on the LTDI and 40.63 benefit payment totals this quarter. Additionally, the number of active 40.65 claims remained stable, while the number of 40.63 applications continues its gradual downward slope since its peak at the reopening of the program.

This report also updates the Board on current actions related to the disability programs available to eligible Wisconsin Retirement System (WRS) employees and the status of the Department of Employee Trust Funds' (ETF) disability program redesign project. The goal of the redesign effort is to streamline the administration of disability benefits, reduce duplication, and reduce complexity and confusion for employers and employees.

We appreciate any feedback or suggestions you may offer for future inclusion in this report. Please contact Jim Guidry at (608) 266-5387 or jim.guidry@etf.wi.gov if you have comments or questions.

Staff will be at the Board meeting to answer any questions.

Attachment: 2021 Second Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services

 Electronically Signed 9/3/21

Board	Mtg Date	Item #
ETF	9.16.21	7E

Benefit Services Bureau

2021 Second Quarter Disability Programs Update



August 20, 2021

Introduction

The Department of Employee Trust Funds (ETF) administers Wisconsin Retirement System (WRS) disability benefits and provides this quarterly report to the Teacher's Retirement, Wisconsin Retirement, and Employee Trust Funds boards. The *2021 Second Quarter Disability Programs Update* provides a statistical review of the Disability Annuity (40.63), Duty Disability (40.65), and Long-Term Disability Insurance (LTDI) programs for the months of April, May, and June 2021. This report provides a review of benefit payments, the number of individuals receiving benefits, and other demographic data. As indicated by the data presented below, the impact of the annual benefit adjustment can be seen on the LTDI and 40.63 benefit payment totals this quarter, while the number of active 40.65 claims remained stable. Annual trends and data are included in the annual report, which is typically presented at the first Board meeting of each year.

This report also updates the Boards on current activities of the disability programs available to eligible Wisconsin Retirement System (WRS) employees and the status of the Department of Employee Trust Funds (ETF) disability program redesign project. The goals of the redesign effort are to streamline the administration of disability benefits, reduce duplication, and reduce complexity and confusion for employers and employees.

Disability Benefit Payments

Table 1.1 shows the monthly totals of benefit payments made during the second quarter of 2021 for the 40.63, 40.65, and LTDI programs. Table 1.2 shows the total number of active claimants each month by program. While LTDI benefit payment totals and the number of active LTDI claimants continue to decline due to the closure of the program to new claims in January 2018, the effects of the annual benefit adjustment can be seen on the LTDI and 40.63 payment totals this quarter.

Compared to the second quarter of 2020, disability annuity (40.63) benefit payments have increased by 5.0%, duty disability (40.65) totals increased by 0.3%, and LTDI benefit payment totals decreased by 5.6%.

Table 1.1. Disability benefit payment totals (40.63, 40.65, and LTDI)

Program	Apr 2021	May 2021	Jun 2021	2 nd Qtr 2021*	2 nd Qtr 2020*
40.63	12,841,462	13,493,178	13,444,780	39,779,421	37,886,942
40.65	3,105,200	3,113,045	3,034,488	9,252,733	9,222,942
LTDI	2,767,662	2,866,019	2,855,455	8,489,136	8,992,498

*Quarterly totals may not equal the sum of monthly figures due to rounding

At the beginning of 2021, there were 6,437 disability annuitants, 1,026 claimants receiving duty disability, and 1,883 claimants receiving LTDI benefits. Table 1.2 shows the number of active claimants receiving 40.63, 40.65, and LTDI benefits in the second quarter of 2021.

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Apr 2021	May 2021	Jun 2021
40.63	6,417	6,417	6,407
40.65	1,021	1,023	1,025
LTDI	1,817	1,803	1,791

§ 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the second quarters of 2020 and 2021.

The number of estimates requested increased by 3.5%, compared to the second quarter of 2020, and the number of estimates completed increased by 4.3% compared to the same period in 2020.

Table 1.3. 40.63 estimates requested and completed 2020-2021

	Apr	May	Jun	2 nd Quarter
2021 Disability Annuity Estimates Requested	51	38	58	147
2020 Disability Annuity Estimates Requested	30	49	63	142
2021 Disability Annuity Estimates Completed	46	41	57	144
2020 Disability Annuity Estimates Completed	27	50	61	138

The number of 40.63 disability annuity applications received in the second quarter of 2021 (71) is fewer than the number received in the second quarter of 2020 (94), representing a decrease of 24.5% from last year.

§ 40.63 Benefit Determinations

There were 12 Teachers Retirement (TR) Board disability annuity claim determinations in the second quarter of 2021. All 12 claims were approved. By comparison, there were 25 claim determinations for the same period in 2020, of which 24 were approved and one canceled. This represents a decrease of 52.0% in TR claim determinations from the same period in 2020.

There were 57 Wisconsin Retirement (WR) Board disability annuity claim determinations in the second quarter of 2021. Forty-eight applications were approved, one was deemed approved, five were canceled, and three were denied. The number of claim determinations in the second quarter of 2021 represents an 12.3% decrease from the 65 WR Board disability annuity claim determinations in the same period in 2020.

Tables 1.4 and 1.5 show the breakdown of disability annuity claim determinations by age. Claims have been extending into younger age ranges now that the program is available to all eligible employees. This quarter, the greatest number of TR Board claims are concentrated in the 51-55 age range. The WR Board claims have also extended into to younger age ranges, but claims this quarter remain concentrated in the 51-60 age range.

Table 1.4. TR Board claim determinations by age

Age	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
31-35	0	0	0	0	0
36-40	0	0	0	0	0
41-45	1	2	0	3	0
46-50	1	1	0	2	4
51-55	1	1	3	5	8
56-60	1	0	0	1	11
61-65	0	0	1	1	2
TOTAL	4	4	4	12	25

Table 1.5. WR Board claim determinations by age

Age	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
26-30	0	1	0	1	0
31-35	0	1	1	2	0
36-40	2	1	0	3	5
41-45	0	0	1	1	1
46-50	4	3	2	9	16
51-55	3	5	4	12	10
56-60	5	7	9	21	18
61-65	2	4	2	8	15
TOTAL	16	22	19	57	65

Tables 1.6 and 1.7 show the breakdown of second quarter 2021 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of cancer (42%), neurology (25%), and nephrology (17%). WR Board claims consisted primarily of orthopedic (33%), cancer (18%), and multiple medical problems (18%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
Cancer	2	1	2	5	6
Eye Disorder	0	0	1	1	0
Mental Illness	0	0	0	0	5
Multiple Medical Problems	1	0	0	1	8
Multiple Sclerosis	0	0	0	0	1
Nephrology	1	0	1	2	0
Neurology	0	3	0	3	4
Orthopedic	0	0	0	0	1
TOTAL	4	4	4	12	25

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
Cancer	3	4	3	10	11
Cardiovascular	1	1	0	2	2
Eye Disorders	0	0	0	0	1
Gastro/Intestinal	0	0	0	0	2
Mental Illness	1	1	4	6	6
Multiple Medical Problems	2	5	3	10	21
Multiple Sclerosis	0	1	0	1	1
Muscle/Tissue	0	0	0	0	5
Nephrology	0	0	0	0	4
Neurology	2	1	1	4	6
Orthopedic	7	6	6	19	4
Other	0	0	1	1	0
Respiratory	0	2	1	3	1
Unknown	0	1	0	1	1
TOTAL	16	22	19	57	65

§ 40.63 Benefits Started

There were seven TR Board disability annuities started in the second quarter of 2021. Five of these (71%) were for female claimants, and two (29%) were for male claimants. In the second quarter of 2020, there were 20 disability annuities started: 80% for female claimants and 20% for male claimants.

Table 1.8 shows the breakdown of disability annuity options selected by new annuitants.

Table 1.8. TR Board disability annuities started by option selected

Option	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	0	0	1	8
Life Annuity with 60 Payments Guaranteed	1	0	0	1	2
For Annuitant's Life Only	0	0	0	0	5
Life Annuity with 180 Payments Guaranteed	0	0	0	0	1
75% Continued to Named Survivor (Joint Survivor)	0	0	1	1	1
100% Continued to Named Survivor (Joint Survivor)	1	0	3	4	2
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
TOTAL	3	0	4	7	20

There were 67 WR Board disability annuities started in the second quarter of 2021, compared to 89 disability annuities started in the same period in 2020. Disability annuities in this quarter were made up of 40 female annuitants (60%) and 27 male annuitants (40%). In 2020, new disability annuities were split between 59 female (66%) and 30 male (34%) annuitants.

Table 1.9 shows the breakdown of options selected by new WR Board disability annuitants.

Table 1.9. WR Board disability annuities started by option selected

Option	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	10	7	5	22	35
Life Annuity with 60 Payments Guaranteed	1	1	1	3	9
For Annuitant's Life Only	8	1	5	14	13
Life Annuity with 180 Payments Guaranteed	6	6	5	17	19
75% Continued to Named Survivor (Joint Survivor)	1	1	2	4	5
100% Continued to Named Survivor (Joint Survivor)	3	2	1	6	6
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	1	1	2
TOTAL	29	18	20	67	89

§ 40.65 Duty Disability

In the second quarter of 2021, two duty disability claims were approved, five were denied, and one duty disability claim was approved as a rescinded denial.

Duty disability benefits were started for six claimants in the second quarter of 2021, compared with five claims started in the same period in 2020. Table 1.10 shows the breakdown of second quarter 2021 duty disability claims by disability type. Two of the claims started in the second quarter of 2021 were approved under the Heart and Lung presumptive statutes. No duty disability death benefits were started during this period.

Table 1.10 Duty Disability benefits started by disability type

Disability Type	Apr	May	Jun	2 nd Qtr 2021	2 nd Qtr 2020
Cardiovascular	0	1	0	1	0
Multiple Medical Problems	0	1	0	1	0
Musculoskeletal	0	0	2	2	3
Neurological	0	0	0	0	1
Psychiatric	0	1	0	1	1
Respiratory	1	0	0	1	0
TOTAL	1	3	2	6	5

LTDI

As noted above, the Long-Term Disability Insurance (LTDI) program was closed to new claims on January 1, 2018. At that time, there were 2,548 claimants receiving LTDI benefits.

Thirty-six claims were closed in the second quarter of 2021, including five deaths and one claim that was closed for exceeding the earnings limit for a second time. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65. There were 1,766 open LTDI claims and four suspended LTDI claims at the end of the quarter.

Thirty-three claims are expected to reach their maximum duration dates and be closed during the third quarter of 2021. The final LTDI claim is scheduled to reach its maximum duration of benefits on November 30, 2052, but could terminate prior to that date (e.g. death of claimant, failure to submit required documentation, exceeding earnings limit two times). Assuming all claims remain open until the date of their maximum duration, the number of open claims in 10 years will total 572, 94 in 20 years, and in 30 years there will be two open LTDI claims, based on their maximum duration date.

Income Continuation Insurance (ICI)

DPS has requested an actuarial analysis of a proposed change to the ICI program. The analysis will examine the impact of eliminating the supplemental coverage provision of the state and local programs and increase the maximum salary eligible for standard coverage from \$64,000 to \$120,000. This change is not a reduction in benefits for our members, and some employees in the ICI program will see an increase in coverage because they are not currently enrolled in supplemental coverage due to premium concerns, even though they

are eligible. Eliminating supplemental coverage and increasing the maximum salary would simplify the program and remove an annual administrative burden for employers, who currently must reevaluate employees' earnings each year and offer supplemental coverage to employees whose annual salary exceeded \$64,000 in the prior year. This change would also mean that employers would begin to pay a portion of the premium for salaries greater than \$64,000. The analysis will evaluate the impact of the proposal on the program liabilities, employee and employer premiums, and enrollment, and help determine if the proposed changes would further ETF's mission of developing and delivering quality benefits and services to our members while protecting program funds.

Once Milliman has completed its evaluation, ETF will present the findings to the Group Insurance Board for further action. A copy of Milliman's evaluation will be shared with the ETF Board.

Disability Benefit Administration and Redesign Update

In November 2020, the GIB approved issuing a letter of intent to contract with The Hartford for the period of January 1, 2022 through December 31, 2026. Contract negotiations between ETF and The Hartford have concluded and the new contract was signed on August 26, 2021.

Administrative Clearinghouse Rule CR 19-097 became effective on June 1, 2021. This rule eliminates administrative code language from Chapter ETF 50 rendered obsolete by the closure of the Long-Term Disability Insurance program and makes two minor technical changes related to the Duty Disability Program.

The Disability Program Section recently completed the mailing and processing of the Statement of Annual Earnings for all recipients of LTDI and 40.63 benefits. The Statement of Annual Earnings is one of two forms required annually from recipients of disability benefits. This is the first year that DPS has handled the mailing and processing in-house, as the process was previously handled by the third-party administrator (TPA) of the ICI (and formerly, LTDI) Program. The forms were mailed to more than 3,300 benefit recipients in March of this year. Each form is reviewed as it is returned, to ensure that benefits are being paid accurately.

Disability Program Section (DPS) staff also successfully completed the more than 1,000 income reviews for the duty disability program. This review requires the analysis of tax

returns for benefit recipients to ensure that annual earnings were properly offset for the year. DPS streamlined the process this year and was able to make a substantial efficiency gain by updating the mailing and requesting tax documentation only from those with reportable income, thereby saving time and resources for DPS, recipients, and ETF's Supply and Mail Services section.

These operational efficiencies cap the migration of these administrative responsibilities away from our ICI TPA and are now wholly contained in-house. Over the course of the past year, ETF disability staff has also assumed responsibility for annual medical recertifications for Disability Annuities and LTDI, the annual salary update and supplemental contribution process for LTDI, and benefit overpayment processing. The current ICI TPA, The Hartford, continues to administer annual medical recertification, income certification, and overpayment processes for ICI.