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Correspondence Memorandum

Date: August 26, 2022

To: Employee Trust Funds Board
Teachers Retirement Board
Wisconsin Retirement Board

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

Subject: April – June 2022 Disability Programs Update

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

Attached is the Wisconsin Retirement System (WRS) *2022 Second Quarter Disability Programs Update* for the period April 2022 through June 2022. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type. It should be noted that the number of active LTDI claims continued to decrease; however, the effect of the LTDI annual salary adjustment can be seen on the LTDI benefit payment totals in the second quarter of 2022.

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: 2022 Second Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services
Electronically Signed 8/29/22

Board	Mtg Date	Item #
ETF	9.22.22	6H

Benefit Services Bureau

2022 Second Quarter Disability Programs Update



August 26, 2022

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 and Wisconsin Retirement boards. The *2022 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 2022. 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 number of active LTDI claims continued to decrease, while the number of 40.63 claims remained largely stable. The number of 40.65 claims has decreased slightly over the past year. Annual trends and data are included in the annual report, which is typically presented at the first Board meeting of each year.

The Disability Program Section (Section) has just finished processing more than 3,000 Annual Earnings Statements for recipients of LTDI and 40.63 benefits. In addition, the Section has been working on completing the remaining 2020 Tax Return and Income Statement reviews. This quarter a mailing was sent to request the 2021 Tax Returns and Income Statement Reviews for nearly 1,000 recipients of 40.65 benefits. The review of tax returns and/or income statements is required annually from recipients of 40.65 disability benefits to ensure that benefits were paid correctly for the prior year. The review takes a significant amount of staff time to complete and audit.

Disability Benefit Payments

Table 1.1 shows the total amount of benefit payments made during the second quarter of 2022 and the four prior quarterly totals for the 40.63, 40.65, and LTDI programs. Table 1.2 shows the total number of active claimants at the end of each quarter by program. The number of active LTDI claimants continues to decline due to the closure of the program to new claims in January 2018. However, the annual LTDI salary adjustment occurred in the second quarter of 2022 resulting in an increase in benefit payments from the previous quarter.

Compared to the second quarter of 2021, disability annuity (40.63) benefit payments have increased by 7.6%, duty disability (40.65) totals increased by 2.8%, and LTDI benefit payment totals decreased by 3.1%.

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

Program	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
40.63	39,779,421	40,451,802	40,486,283	40,584,349	42,787,531
40.65	9,252,733	9,152,302	9,043,535	9,547,622	9,508,952
LTDI	8,489,136	8,427,929	8,226,538	8,031,582	8,226,199

At the beginning of 2022, there were 6,440 disability annuitants, 1,015 claimants receiving duty disability, and 1,703 claimants receiving LTDI benefits. Table 1.2 shows the number of active claimants receiving 40.63, 40.65, and LTDI benefits at the end of the second quarter of 2022, as well as the prior four quarters.

Table 1.2. 40.63, 40.65, and LTDI active claimants at the end of the last four quarters

Program	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
40.63	6,407	6,416	6,440	6,429	6,429
40.65	1,025	1,023	1,015	1,011	1,009
LTDI	1,791	1,739	1,703	1,654	1,612

§ 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the second quarters of 2021 and 2022.

The number of estimates requested increased by 16.3%, compared to the second quarter of 2021, and the number of estimates completed increased by 14.6% compared to the same period in 2021.

Table 1.3. 40.63 estimates requested and completed 2021-2022

	Apr	May	Jun	2 nd Quarter
2022 Disability Annuity Estimates Requested	63	62	46	171
2021 Disability Annuity Estimates Requested	51	38	58	147
2022 Disability Annuity Estimates Completed	69	57	39	165
2021 Disability Annuity Estimates Completed	46	41	57	144

The number of 40.63 disability annuity applications received in the second quarter of 2022 (91) is significantly higher than the number received in the second quarter of 2021 (71), an increase of 28.2% from last year.

§ 40.63 Benefit Determinations

There were 26 Teachers Retirement (TR) Board disability annuity claim determinations in the second quarter of 2022. Twenty-five claims were approved, and one was denied. By

comparison, there were 12 claim determinations for the same period in 2021, of which all 12 were approved. This represents an increase of 116.7% in TR claim determinations from the same period in 2021.

There were 45 Wisconsin Retirement (WR) Board disability annuity claim determinations in the second quarter of 2022. Forty applications were approved, four were canceled, and one was denied. The number of claim determinations in the second quarter of 2022 represents a 21.1% decrease from the 57 WR Board disability annuity claim determinations in the same period in 2021.

Tables 1.4 and 1.5 show the breakdown of disability annuity claim determinations by age. This quarter, the number of TR Board claims are concentrated around the ages of 51-55. The WR Board claims remain concentrated in the 51-60 age range.

Table 1.4. TR Board claim determinations by age

Age	Apr	May	Jun	2 nd Qtr 2022	2 nd Qtr 2021
31-35	1	0	0	1	0
36-40	0	0	1	1	0
41-45	0	0	1	1	3
46-50	0	3	0	3	2
51-55	3	2	8	13	5
56-60	2	1	2	5	1
61-65	0	0	2	2	1
TOTAL	6	6	14	26	12

Table 1.5. WR Board claim determinations by age

Age	Apr	May	Jun	2 nd Qtr 2022	2 nd Qtr 2021
26-30	0	1	0	1	1
31-35	0	0	0	0	2
36-40	1	1	0	2	3
41-45	2	0	1	3	1
46-50	5	2	2	9	9
51-55	7	0	6	13	12
56-60	5	2	1	8	21
61-65	4	3	2	9	8
TOTAL	24	9	12	45	57

Benefit Services Bureau
 2022 Second Quarter Disability Programs Update
 August 26, 2022

Tables 1.6 and 1.7 show the breakdown of second quarter 2022 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (30.8%), neurology (23.1%), and cancer (19.2%). WR Board claims consisted primarily of orthopedic (28.9%), multiple medical problems (20.0%), and neurology (17.8%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 nd Qtr 2022	2 nd Qtr 2021
Cancer	1	2	2	5	5
Eye Disorders	0	0	1	1	1
Hearing Disorder	0	1	0	1	0
Mental Illness	1	0	0	1	0
Multiple Medical Problems	0	1	7	8	1
Muscle/Tissue	0	1	0	1	0
Nephrology	0	0	0	0	2
Neurology	1	1	4	6	3
Orthopedic	1	0	0	1	0
Other	2	0	0	2	0
TOTAL	6	6	14	26	12

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 nd Qtr 2022	2 nd Qtr 2021
Brain Injury	0	2	0	2	0
Cancer	3	0	1	4	10
Cardiovascular	0	0	0	0	2
Eye Disorders	1	0	2	3	0
Mental Illness	3	0	1	4	6
Multiple Medical Problems	5	2	2	9	10
Multiple Sclerosis	0	0	0	0	1
Neurology	4	2	2	8	4
Orthopedic	7	3	3	13	19
Other	0	0	0	0	1
Respiratory	1	0	1	2	3
Unknown	0	0	0	0	1
TOTAL	24	9	12	45	57

§ 40.63 Benefits Started

There were 11 TR Board disability annuities started in the second quarter of 2022. Six of these (55%) were for female claimants, and five (45%) were for male claimants. In the second quarter of 2021, there were seven disability annuities started: 71% for female claimants and 29% 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 2022	2 nd Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	2	2	4	1
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	1
Life Annuity with 180 Payments Guaranteed	0	1	0	1	0
75% Continued to Named Survivor (Joint Survivor)	0	2	2	4	0
100% Continued to Named Survivor (Joint Survivor)	0	1	1	2	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	4
TOTAL	0	6	5	11	7

There were 66 WR Board disability annuities started in the second quarter of 2022, compared to 67 disability annuities started in the same period in 2021. Disability annuities in this quarter were made up of 33 female annuitants (50%) and 33 male annuitants (50%). In the second quarter of 2021, new disability annuities were split between 40 female (60%) and 27 male (40%) 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 2022	2 nd Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	18	9	0	27	22
Life Annuity with 60 Payments Guaranteed	0	1	1	2	3
For Annuitant's Life Only	5	1	3	9	14
Life Annuity with 180 Payments Guaranteed	8	4	2	14	17
75% Continued to Named Survivor (Joint Survivor)	1	4	1	6	4
100% Continued to Named Survivor (Joint Survivor)	4	2	1	7	6
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	1	0	1	1
TOTAL	36	22	8	66	67

§ 40.65 Duty Disability

In the second quarter of 2022, three duty disability claims were approved, one of which was approved as a rescinded denial.

Duty disability benefits were started for three claimants in the second quarter of 2022, compared with six claims started in the same period in 2021. Table 1.10 shows the breakdown of second quarter 2022 duty disability claims by disability type. One of the claims started in the second quarter of 2022 was approved under the heart and lung presumptive statute. 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 2022	2 nd Qtr 2021
Cardiovascular	0	0	1	1	1
Multiple Medical Problems	0	0	0	0	1
Musculoskeletal	0	1	0	1	2
Psychiatric	0	1	0	1	1
Respiratory	0	0	0	0	1
TOTAL	0	2	1	3	6

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.

Fifty claims were closed in the second quarter of 2022, including eight deaths and one claim that was closed because the recipient exceeded the earnings limit a second time. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65.

Thirty-four claims are expected to reach their maximum duration dates and be closed during the third quarter of 2022. 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 508, 76 in 20 years, and in 30 years there will be one open LTDI claim.