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Correspondence Memorandum

Date: February 24, 2023

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

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

Subject: October – December 2022 Disability Programs Update

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

Attached is the Wisconsin Retirement System (WRS) 2022 *Fourth Quarter Disability Programs Update* for the period October 2022 through December 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 annuitants and claimants have stayed relatively stable for the Disability Annuity (40.63) and Duty Disability programs, respectively. Alternately, Long Term Disability Insurance (LTDI) claimants continue to decline as expected, due to the closure of this benefit in 2018.

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 Fourth Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services
Electronically Signed 03/06/23

Board	Mtg Date	Item #
ETF	3.23.23	7H

Benefit Services Bureau

2022 Fourth Quarter Disability Programs Update



February 24, 2023

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 Fourth 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 October, November, and December 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 also remained stable 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) completed the annual adjustment of salaries, Social Security, and other employer earnings offsets for 40.65 benefits, completed the annual ingest of supplemental contribution amounts for recipients of LTDI benefits, and is nearing completion on the review of nearly 1,000 tax return and income statements for recipients of 40.65 benefits. In addition, the section is preparing for the mailing and processing of more than 3,000 income certifications for recipients of 40.63 and LTDI benefits. The review of income certifications is required annually from recipients to ensure that they remain eligible for benefits.

Disability Benefit Payments

Table 1.1 shows the total amount of benefit payments made during the fourth 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 fourth quarter of 2021, disability annuity (40.63) benefit payments have increased by 8.6%, duty disability (40.65) totals increased by 1.8%, and LTDI benefit payment totals decreased by 3.7%.

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

Program	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022
40.63	40,486,283	40,584,349	42,787,531	43,873,070	43,965,602
40.65	9,043,535	9,547,622	9,508,952	9,173,124	9,203,632
LTDI	8,226,538	8,031,582	8,226,199	8,148,105	7,923,621

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 fourth 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	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022
40.63	6,440	6,429	6,429	6,434	6,459
40.65	1,015	1,011	1,009	1,011	1,008
LTDI	1,703	1,654	1,612	1,551	1,514

§ 40.63 Disability Annuity

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

The number of estimates requested decreased by 21.2%, compared to the fourth quarter of 2021, and the number of estimates completed decreased by 19.3% compared to the same period in 2021.

Table 1.3. 40.63 estimates requested and completed 2021-2022

	Oct	Nov	Dec	4 th Quarter
2022 Disability Annuity Estimates Requested	53	54	34	141
2021 Disability Annuity Estimates Requested	65	73	41	179
2022 Disability Annuity Estimates Completed	57	52	33	142
2021 Disability Annuity Estimates Completed	67	64	45	176

The number of 40.63 disability annuity applications received in the fourth quarter of 2022 (65) is less than the number received in the fourth quarter of 2021 (88), a decrease of 26.1% from last year.

§ 40.63 Benefit Determinations

There were 18 Teachers Retirement (TR) Board disability annuity claim determinations in the fourth quarter of 2022. Thirteen claims were approved, one was canceled, and 4 were denied. By comparison, there were 21 claim determinations for the same period in 2021, of which 18 were approved, one was canceled, and two were denied. This represents a decrease of 14.3% in TR claim determinations from the same period in 2021.

There were 43 Wisconsin Retirement (WR) Board disability annuity claim determinations in the fourth quarter of 2022. Thirty-six applications were approved, three were canceled, one was deemed approved, and three were denied. The number of claim determinations in the fourth quarter of 2022 represents a 23.2% increase from the 56 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 remain concentrated around the ages of 51-65, while the WR Board claims are concentrated around the ages of 46-60.

Table 1.4. TR Board claim determinations by age

Age	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
31-35	0	1	0	1	0
36-40	0	0	1	1	1
41-45	1	0	0	1	2
46-50	1	0	0	1	4
51-55	2	3	0	5	6
56-60	3	1	0	4	8
61-65	1	2	2	5	0
TOTAL	8	7	3	18	21

Table 1.5. WR Board claim determinations by age

Age	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
36-40	0	2	1	3	4
41-45	3	2	1	6	3
46-50	7	3	3	13	11
51-55	2	2	3	7	14
56-60	2	4	3	9	15
61-65	0	4	1	5	9
TOTAL	14	17	12	43	56

Tables 1.6 and 1.7 show the breakdown of fourth quarter 2022 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (33.3%), neurology (27.8%), and cancer (16.7%). WR Board claims consisted primarily of multiple medical problems (18.6%), neurology (18.6%), and orthopedic (18.6%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
Cancer	3	0	0	3	3
Mental Illness	0	0	1	1	4
Multiple Medical Problems	3	2	1	6	5
Multiple Sclerosis	1	1	0	2	2
Neurology	1	3	1	5	5
Orthopedic	0	1	0	1	2
TOTAL	8	7	3	18	21

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
Cancer	3	3	1	7	15
Eye Disorder	0	1	0	1	1
Mental Illness	3	2	1	6	3
Multiple Medical Problems	3	3	2	8	10
Multiple Sclerosis	1	1	0	2	0
Muscle/Tissue	0	1	0	1	4
Nephrology	0	0	1	1	1
Neurology	2	2	4	8	8
Orthopedic	2	3	3	8	8
Other	0	0	0	0	2
Respiratory	0	0	0	0	3
Unknown	0	1	0	1	1
TOTAL	14	17	12	43	56

§ 40.63 Benefits Started

There were 2 TR Board disability annuities started in the fourth quarter of 2022. Both of these (100%) were for female claimants, and none were for male claimants. In the fourth quarter of 2021, there were nine disability annuities started: 67% for female claimants and 33% 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	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	0	1	2	3
Life Annuity with 60 Payments Guaranteed	0	0	0	0	0
For Annuitant's Life Only	0	0	0	0	4
Life Annuity with 180 Payments Guaranteed	0	0	0	0	2
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	1	0	1	2	9

There were 50 WR Board disability annuities started in the fourth quarter of 2022, compared to 55 disability annuities started in the same period in 2021. Disability annuities in this quarter were made up of 29 female annuitants (58%) and 21 male annuitants (42%). In the fourth quarter of 2021, new disability annuities were split between 37 female (67%) and 18 male (33%) 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	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	7	7	10	24	19
Life Annuity with 60 Payments Guaranteed	1	0	1	2	0
For Annuitant's Life Only	0	4	7	11	18
Life Annuity with 180 Payments Guaranteed	6	2	0	8	11
75% Continued to Named Survivor (Joint Survivor)	1	0	0	1	3
100% Continued to Named Survivor (Joint Survivor)	0	1	0	1	3
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	2	1	0	3	1
TOTAL	17	15	18	50	55

§ 40.65 Duty Disability

In the fourth quarter of 2022, no duty disability claims were approved, two were denied, and one was approved as a rescinded denial.

Duty disability benefits were started for eight claimants in the fourth quarter of 2022, compared with six claims started in the same period in 2021. Table 1.10 shows the breakdown of fourth quarter 2022 duty disability claims by disability type. None of the claims started in the fourth quarter of 2022 were approved under the heart and lung presumptive statute. One claim was approved under the cancer presumptive statute. No duty disability death benefits were started during this period.

Table 1.10 Duty Disability benefits started by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2022	4 th Qtr 2021
Cancer	1	0	0	1	0
Cardiovascular	0	0	0	0	3
Musculoskeletal	3	2	0	5	2
Other	0	0	0	0	1
Psychiatric	0	1	1	2	0
TOTAL	4	3	1	8	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.

Forty-four claims were closed in the fourth quarter of 2022, including: three deaths, one claim that was closed because the recipient's doctor certified that they were no longer disabled, 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.

Twenty-seven claims are expected to reach their maximum duration dates and be closed during the first quarter of 2023. Assuming all claims remain open until the date of their maximum duration, the number of open claims in 10 years will total 479, and in 20 years there will be 66 open LTDI claims. 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).