

***Benefit Services Bureau***

***2023 Second Quarter Disability Programs Update***



August 25, 2023

## Introduction

The Department of Employee Trust Funds (ETF) administers Wisconsin Retirement System (WRS) disability benefits and provides this quarterly report to the Employee Trust Funds, Teacher’s Retirement, and Wisconsin Retirement boards. The *2023 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 2023. 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 quarter. 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 completed 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 2021 Tax Return and Income Statement reviews. During the second quarter, a mailing was sent to request the 2022 Tax Returns and Income Statements for approximately 1,000 recipients of 40.65 Duty Disability 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 2023 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.

Compared to the second quarter of 2022, disability annuity (40.63) benefit payments have increased by 2.7%, duty disability (40.65) totals increased by 5.8%, and LTDI benefit payment totals decreased by 7.5%. As noted in Table 1.2, the number of claimants for 40.63 and 40.65 programs slightly decreased for the same time period, suggesting that the payment increase is primarily attributable to increases resulting from annual benefit adjustments. Other factors that impact benefit payments include claim turnover, increases in average salary for new claims, and offset adjustments.

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

Program	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023
40.63	42,787,531	43,873,070	43,965,602	43,789,886	43,933,766

40.65	9,508,952	9,173,124	9,203,632	9,754,728	10,058,364
LTDI	8,226,199	8,148,105	7,923,621	7,705,144	7,611,663

At the beginning of 2023, there were 6,459 disability annuitants, 1,008 claimants receiving duty disability, and 1,514 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 2023, 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	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023
40.63	6,429	6,434	6,459	6,422	6,424
40.65	1,009	1,011	1,008	1,007	1,005
LTDI	1,612	1,551	1,514	1,481	1,446

### § 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the second quarters of 2022 and 2023.

The number of estimates requested decreased by 11.1%, compared to the second quarter of 2022, and the number of estimates completed decreased by 10.3% compared to the same period in 2022.

Table 1.3. 40.63 estimates requested and completed 2022-2023

	Apr	May	Jun	2 <sup>nd</sup> Quarter
2023 Disability Annuity Estimates Requested	51	62	39	152
2022 Disability Annuity Estimates Requested	63	62	46	171
2023 Disability Annuity Estimates Completed	50	58	40	148
2022 Disability Annuity Estimates Completed	69	57	39	165

The number of 40.63 disability annuity applications received in the second quarter of 2023 (70) is less than the number received in the second quarter of 2022 (91), a decrease of 23.1% from last year.

### § 40.63 Benefit Determinations

There were 12 Teachers Retirement (TR) Board disability annuity claim determinations in the second quarter of 2023. All 12 claims were approved. By comparison, there were 26 claim determinations for the same period in 2022, of which 25 were approved, and one was denied. This represents a decrease of 52.0% in TR claim determinations from the same period in 2022.

There were 43 Wisconsin Retirement (WR) Board disability annuity claim determinations in the second quarter of 2023. Thirty-six applications were approved, four were canceled, one was deemed approved, and two were denied. The number of claim determinations in the second quarter of 2023 represents an 4.4% decrease from the 45 WR Board disability annuity claim determinations in the same period in 2022.

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 51-60, while the WR Board claims are also concentrated around the ages of 51-60.

Table 1.4. TR Board claim determinations by age

Age	Apr	May	Jun	2 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
31-35	0	0	0	0	1
36-40	0	0	0	0	1
41-45	0	0	0	0	1
46-50	1	1	1	3	3
51-55	2	1	1	4	13
56-60	2	1	2	5	5
61-65	0	0	0	0	2
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>12</b>	<b>26</b>

Table 1.5. WR Board claim determinations by age

Age	Apr	May	Jun	2 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
26-30	0	0	0	0	1
31-35	0	0	0	0	0
36-40	0	1	2	3	2
41-45	2	1	1	4	3
46-50	4	0	3	7	9
51-55	2	6	4	12	13
56-60	4	3	2	9	8
61-65	2	3	3	8	9
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>43</b>	<b>45</b>

Tables 1.6 and 1.7 show the breakdown of second quarter 2023 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of cancer (33.3%), multiple medical problems (33.3%), and orthopedic (16.7%). WR Board claims consisted primarily of multiple medical problems (25.6%), mental illness (20.9%), and neurology (16.3%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
Cancer	2	1	1	4	5
Eye Disorders	1	0	0	1	1
Hearing Disorder	0	0	0	0	1
Mental Illness	0	0	0	0	1
Multiple Medical Problems	1	2	1	4	8
Muscle/Tissue	0	0	0	0	1
Neurology	0	0	1	1	6
Orthopedic	1	0	1	2	1
Other	0	0	0	0	2
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>12</b>	<b>26</b>

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Apr	May	Jun	2 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
Brain Injury	0	0	1	1	2
Cancer	3	1	1	5	4
Cardiovascular	1	1	1	3	0
Eye Disorders	0	0	1	1	3
Mental Illness	4	2	3	9	4
Multiple Medical Problems	4	6	1	11	9
Muscle/Tissue	0	0	1	1	0
Neurology	1	2	4	7	8
Orthopedic	1	2	2	5	13
Respiratory	0	0	0	0	2
<b>TOTAL</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>43</b>	<b>45</b>

### § 40.63 Benefits Started

There were 12 TR Board disability annuities started in the second quarter of 2023. Eight of these (67%) were for female claimants, and four (33%) were for male claimants. In the

second quarter of 2022, there were 11 disability annuities started: 55% for female claimants and 45% 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 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	3	4	1	8	4
Life Annuity with 60 Payments Guaranteed	0	1	0	1	0
For Annuitant's Life Only	0	1	1	2	1
Life Annuity with 180 Payments Guaranteed	0	0	0	0	4
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	2
100% Continued to Named Survivor (Joint Survivor)	0	0	1	1	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>12</b>	<b>11</b>

There were 48 WR Board disability annuities started in the second quarter of 2023, compared to 66 disability annuities started in the same period in 2022. Disability annuities in this quarter were made up of 22 female annuitants (46%) and 26 male annuitants (54%). In the second quarter of 2022, new disability annuities were split between 33 female (50%) and 33 male (50%) 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 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	9	8	4	21	27
Life Annuity with 60 Payments Guaranteed	2	0	2	4	2
For Annuitant's Life Only	5	2	3	10	9
Life Annuity with 180 Payments Guaranteed	4	2	1	7	14
75% Continued to Named Survivor (Joint Survivor)	1	0	0	1	6
100% Continued to Named Survivor (Joint Survivor)	2	1	2	5	7
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
<b>TOTAL</b>	<b>23</b>	<b>13</b>	<b>12</b>	<b>48</b>	<b>66</b>

## § 40.65 Duty Disability

In the second quarter of 2023, four duty disability claims were approved, five were denied, and three were approved as a rescinded denial.

Duty disability benefits were started for four claimants in the second quarter of 2023, compared with three claims started in the same period in 2022. Table 1.10 shows the breakdown of second quarter 2023 duty disability claims by disability type. None of the claims started in the second quarter of 2023 were approved under the heart and lung presumptive statute. No claims were 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	Apr	May	Jun	2 <sup>nd</sup> Qtr 2023	2 <sup>nd</sup> Qtr 2022
Cardiovascular	1	0	0	1	1
Musculoskeletal	0	1	1	2	1
Neurological	0	1	0	1	0
Psychiatric	0	0	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>3</b>

## 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-eight claims were closed in the second quarter of 2023, including: five deaths and one claim that was closed because it was completely offset by the recipient's retirement benefit. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65.

Thirty-five claims are expected to reach their maximum duration dates and be closed during the third 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 442, and in 20 years there will be 57 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 twice).