

Benefit Services Bureau

2023 Third Quarter Disability Programs Update



November 16, 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 Third 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 July, August, and September 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) is in the process of reviewing more than 100 annual medical recertification forms for recipients of LTDI and 40.63 benefits. In addition, the Section has been working on completing the 2022 Tax Return and Income Statements for nearly 1,000 recipients of 40.65 benefits. The review of tax returns and/or income statements is required annually for recipients of 40.65 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 third 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 third quarter of 2022, disability annuity (40.63) benefit payments have decreased by 2.8%, duty disability (40.65) totals increased by 12.1%, and LTDI benefit payment totals decreased by 9.4%. As noted in Table 1.2, the number of claimants for 40.63 decreased slightly for the same time period, while the number of 40.65 claimants increased slightly 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 | Q3-2022 | Q4-2022 | Q1-2023 | Q2-2023 | Q3-2023 |
|---------|------------|------------|------------|------------|------------|
| 40.63 | 43,873,070 | 43,965,602 | 46,789,886 | 43,933,766 | 43,763,734 |
| 40.65 | 9,173,124 | 9,203,632 | 9,754,728 | 10,058,364 | 10,284,044 |
| LTDI | 8,148,105 | 7,923,621 | 7,705,144 | 7,611,663 | 7,381,854 |

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 third 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 | Q3-2022 | Q4-2022 | Q1-2023 | Q2-2023 | Q3-2023 |
|---------|---------|---------|---------|---------|---------|
| 40.63 | 6,434 | 6,459 | 6,422 | 6,424 | 6,429 |
| 40.65 | 1,011 | 1,008 | 1,007 | 1,005 | 1,012 |
| LTDI | 1,551 | 1,514 | 1,481 | 1,446 | 1,381 |

§ 40.63 Disability Annuity

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

The number of estimates requested decreased by 16.4%, compared to the third quarter of 2022, and the number of estimates completed decreased by 25.5% compared to the same period in 2022.

Table 1.3. 40.63 estimates requested and completed 2022-2023

| | Jul | Aug | Sep | Q3 |
|---|-----|-----|-----|-----|
| 2023 Disability Annuity Estimates Requested | 34 | 40 | 43 | 117 |
| 2022 Disability Annuity Estimates Requested | 45 | 55 | 40 | 140 |
| 2023 Disability Annuity Estimates Completed | 32 | 39 | 40 | 111 |
| 2022 Disability Annuity Estimates Completed | 61 | 55 | 33 | 149 |

The number of 40.63 disability annuity applications received in the third quarter of 2023 (69) is less than the number received in the third quarter of 2022 (75), a decrease of 8.0% from last year.

§ 40.63 Benefit Determinations

There were 18 Teachers Retirement (TR) Board disability annuity claim determinations in the third quarter of 2023. Fifteen claims were approved, and three were canceled. By comparison, there were 16 claim determinations for the same period in 2022, of which 15 were approved, and one was canceled. This represents an increase of 12.5% in TR claim determinations from the same period in 2022.

There were 39 Wisconsin Retirement (WR) Board disability annuity claim determinations in the third quarter of 2023. Thirty-five applications were approved, one was canceled, and three were denied. The number of claim determinations in the third quarter of 2023

represents an 44.3% decrease from the 70 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 46-60, while the WR Board claims are concentrated around the ages of 51-65.

Table 1.4. TR Board claim determinations by age

| Age | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|--------------|----------|----------|----------|-----------|-----------|
| 41-45 | 0 | 1 | 0 | 1 | 1 |
| 46-50 | 1 | 1 | 3 | 5 | 1 |
| 51-55 | 1 | 3 | 2 | 6 | 5 |
| 56-60 | 2 | 2 | 0 | 4 | 3 |
| 61-65 | 0 | 2 | 0 | 2 | 6 |
| TOTAL | 4 | 9 | 5 | 18 | 16 |

Table 1.5. WR Board claim determinations by age

| Age | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| 31-35 | 0 | 0 | 0 | 0 | 3 |
| 36-40 | 0 | 0 | 1 | 1 | 3 |
| 41-45 | 1 | 1 | 0 | 2 | 6 |
| 46-50 | 2 | 1 | 0 | 3 | 14 |
| 51-55 | 3 | 7 | 2 | 12 | 15 |
| 56-60 | 5 | 5 | 4 | 14 | 17 |
| 61-65 | 0 | 3 | 4 | 7 | 12 |
| TOTAL | 11 | 17 | 11 | 39 | 70 |

Tables 1.6 and 1.7 show the breakdown of third quarter 2023 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (38.9%), neurology (22.2%), and cancer (16.7%). WR Board claims consisted primarily of multiple medical problems (28.2%), cancer (17.9%), and orthopedic (17.9%).

Table 1.6 TR Board disability annuity claim determinations by disability type

| Disability Type | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|---------------------------|-----|-----|-----|---------|---------|
| Cancer | 1 | 2 | 0 | 3 | 3 |
| Cardiovascular | 0 | 1 | 0 | 1 | 0 |
| Eye Disorders | 0 | 0 | 0 | 0 | 1 |
| Mental Illness | 0 | 0 | 0 | 0 | 1 |
| Multiple Medical Problems | 1 | 3 | 3 | 7 | 5 |
| Nephrology | 0 | 0 | 0 | 0 | 1 |
| Neurology | 1 | 2 | 1 | 4 | 3 |

| Disability Type | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|-----------------|----------|----------|----------|-----------|-----------|
| Orthopedic | 1 | 0 | 0 | 1 | 1 |
| Other | 0 | 0 | 0 | 0 | 1 |
| Respiratory | 0 | 1 | 1 | 2 | 0 |
| TOTAL | 4 | 9 | 5 | 18 | 16 |

Table 1.7 WR Board disability annuity claim determinations by disability type

| Disability Type | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Cancer | 1 | 4 | 2 | 7 | 11 |
| Cardiovascular | 1 | 0 | 0 | 1 | 0 |
| Chronic Fatigue | 0 | 0 | 0 | 0 | 2 |
| Gastro/Intestinal | 0 | 1 | 0 | 1 | 1 |
| Mental Illness | 1 | 1 | 3 | 5 | 7 |
| Multiple Medical Problems | 4 | 3 | 4 | 11 | 19 |
| Multiple Sclerosis | 1 | 2 | 0 | 3 | 1 |
| Muscle/Tissue | 0 | 0 | 0 | 0 | 2 |
| Neurology | 2 | 2 | 0 | 4 | 16 |
| Orthopedic | 1 | 4 | 2 | 7 | 7 |
| Other | 0 | 0 | 0 | 0 | 1 |
| Respiratory | 0 | 0 | 0 | 0 | 3 |
| TOTAL | 11 | 17 | 11 | 39 | 70 |

§ 40.63 Benefits Started

There were 15 TR Board disability annuities started in the third quarter of 2023. Nine of these (60%) were for female claimants, and six (40%) were for male claimants. In the third quarter of 2022, there were 17 disability annuities started: 88% for female claimants and 12% 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 | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|--|-----|-----|-----|---------|---------|
| 100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed | 5 | 2 | 4 | 11 | 5 |
| 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 | 2 |
| 75% Continued to Named Survivor (Joint Survivor) | 0 | 0 | 2 | 2 | 3 |
| | 0 | 0 | 0 | 0 | 1 |

| Option | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|--|----------|----------|----------|-----------|-----------|
| 100% Continued to Named Survivor (Joint Survivor) | 0 | 0 | 1 | 1 | 4 |
| 75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either | 0 | 0 | 0 | 0 | 1 |
| TOTAL | 5 | 3 | 7 | 15 | 17 |

There were 36 WR Board disability annuities started in the third quarter of 2023, compared to 61 disability annuities started in the same period in 2022. Disability annuities in this quarter were made up of 15 female annuitants (42%) and 21 male annuitants (58%). In the third quarter of 2022, new disability annuities were split between 39 female (64%) and 22 male (36%) 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 | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|--|-----------|-----------|-----------|-----------|-----------|
| 100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed | 5 | 4 | 4 | 13 | 24 |
| Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only | 1 | 1 | 1 | 3 | 5 |
| Life Annuity with 180 Payments Guaranteed | 2 | 3 | 3 | 8 | 9 |
| 75% Continued to Named Survivor (Joint Survivor) | 0 | 2 | 0 | 2 | 1 |
| 100% Continued to Named Survivor (Joint Survivor) | 2 | 0 | 2 | 4 | 10 |
| 75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either | 0 | 0 | 1 | 1 | 1 |
| TOTAL | 13 | 10 | 13 | 36 | 61 |

§ 40.65 Duty Disability

In the third quarter of 2023, eight duty disability claims were approved, and two were denied.

Duty disability benefits were started for ten claimants in the third quarter of 2023, compared with six claims started in the same period in 2022. Table 1.10 shows the breakdown of third quarter 2023 duty disability claims by disability type. None of the claims started in the third

quarter of 2023 were approved under the heart and lung presumptive statute. Two claims were approved under the cancer presumptive statute. Two duty disability death benefits were started during this period.

Table 1.10 Duty Disability benefits started by disability type

| Disability Type | Jul | Aug | Sep | Q3-2023 | Q3-2022 |
|---------------------------|------------|------------|------------|----------------|----------------|
| Cancer | 1 | 1 | 0 | 2 | 0 |
| Multiple Medical Problems | 1 | 1 | 0 | 2 | 0 |
| Musculoskeletal | 0 | 1 | 2 | 3 | 2 |
| Neurological | 1 | 1 | 1 | 3 | 3 |
| Psychiatric | 0 | 0 | 0 | 0 | 1 |
| TOTAL | 3 | 4 | 3 | 10 | 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-three claims were closed in the third quarter of 2023, including: five deaths and three claims that were closed because they were 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.

Twenty-five claims are expected to reach their maximum duration dates and be closed during the fourth 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 418, and in 20 years there will be 50 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).