

***Benefit Services Bureau***

***2024 Second Quarter Disability Programs Update***



August 26, 2024

Prepared for the Employee Trust Funds Board Meeting, September 19, 2024

Attachment A

**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 *2024 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 2024. 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 and 40.65 claims remained largely stable. 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, a mailing was sent to request the 2023 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 2024 and the totals for the prior four quarters 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 2023, disability annuity (40.63) benefit payments have increased by 2.3%, duty disability (40.65) totals increased by 4.6%, and LTDI benefit payment totals decreased by 9.7%. As noted in Table 1.2, the number of claimants for 40.63 increased slightly for the same time period, while the number of active 40.65 claimants decreased slightly. 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	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024
40.63	43,933,766	43,763,734	44,066,731	44,020,768	44,977,711
40.65	10,058,364	10,284,044	10,158,731	10,388,895	10,547,326
LTDI	7,611,663	7,381,854	7,177,821	7,028,661	6,935,961

At the beginning of 2024, there were 6,464 disability annuitants, 1,000 claimants receiving duty disability, and 1,349 claimants receiving LTDI benefits. Table 1.2 shows the number of

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40.63, 40.65, and LTDI benefit payments made in the last month of the second quarter of 2024, as well as the prior four quarters.

**Table 1.2.** 40.63, 40.65, and LTDI Payments in the Last Month of Each of the Last Five Quarters

Program	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024
40.63	6,424	6,429	6,464	6,431	6,437
40.65	1,005	1,012	1,000	1,001	1,002
LTDI	1,446	1,381	1,349	1,329	1,269

**40.63 Disability Annuity**

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the second quarters of 2023 and 2024.

Both the number of estimates requested and completed decreased by 0.7%, compared to the second quarter of 2023.

**Table 1.3.** 40.63 Estimates Requested and Completed 2023-2024

	April	May	June	Q2
2024 Disability Annuity Estimates Requested	62	39	50	151
2023 Disability Annuity Estimates Requested	51	62	39	152
2024 Disability Annuity Estimates Completed	62	36	49	147
2023 Disability Annuity Estimates Completed	50	58	40	148

The number of 40.63 disability annuity applications received in the second quarter of 2024 (61) is less than the number received in the second quarter of 2023 (70), a decrease of 14.8% from last year.

**40.63 Benefit Determinations**

There were 19 Teachers Retirement (TR) Board disability annuity claim determinations in the second quarter of 2024. 16 claims were approved, one was deemed approved, and two were denied. By comparison, there were 12 claim determinations for the same period in 2023, of which all 12 were approved. This represents an increase of 36.8% in TR claim determinations from the same period in 2023.

There were 39 Wisconsin Retirement (WR) Board disability annuity claim determinations in the second quarter of 2024. 29 applications were approved, six were canceled, one was deemed approved, and three were denied. The number of claim determinations in the second quarter of 2024 represents a 10.3% decrease from the 43 WR Board disability annuity claim determinations in the same period in 2023.

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 concentrated around the ages of 46-60.

**Table 1.4. TR Board Claim Determinations by Age**

Age	April	May	June	Q2-2024	Q2-2023
31-35	0	0	0	0	1
36-40	0	0	0	0	1
41-45	1	0	1	2	1
46-50	1	1	0	2	3
51-55	0	1	5	6	13
56-60	3	2	2	7	5
61-65	1	0	1	2	2
<b>TOTAL</b>	<b>6</b>	<b>4</b>	<b>9</b>	<b>19</b>	<b>26</b>

**Table 1.5. WR Board Claim Determinations by Age**

Age	April	May	June	Q2-2024	Q2-2023
26-30	0	0	1	1	1
31-35	0	0	1	1	0
36-40	0	1	0	1	2
41-45	0	0	1	1	3
46-50	3	4	2	9	9
51-55	4	1	6	11	13
56-60	5	5	1	11	8
61-65	0	1	3	4	9
<b>TOTAL</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>39</b>	<b>45</b>

Tables 1.6 and 1.7 show the breakdown of second quarter 2024 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (47.4%), cancer (15.8%), nephrology (10.5%), and neurology (10.5%). WR Board claims consisted primarily of multiple medical problems (28.2%), mental illness (15.4%), neurology (15.4%), and orthopedic (15.4%).

**Table 1.6. TR Board Disability Annuity Claim Determinations by Disability Type**

Disability Type	April	May	June	Q2-2024	Q2-2023
Cancer	0	0	3	3	4
Eye Disorders	0	0	0	0	1
Gastro/Intestinal	0	0	0	0	0
Mental Illness	1	0	0	1	0
Multiple Medical Problems	2	4	3	9	4
Multiple Sclerosis	0	0	1	1	0
Nephrology	1	0	1	2	0
Neurology	2	0	0	2	1
Orthopedic	0	0	1	1	2
<b>TOTAL</b>	<b>6</b>	<b>4</b>	<b>9</b>	<b>19</b>	<b>12</b>

**Table 1.7. WR Board Disability Annuity Claim Determinations by Disability Type**

Disability Type	April	May	June	Q2-2024	Q2-2023
Brain Injury	0	0	0	0	1
Cancer	2	3	0	5	5
Cardiovascular	0	0	0	0	3
Eye Disorder	0	0	0	0	1
Gastro/Intestinal	0	0	0	0	0
Hearing Disorders	0	0	0	0	0
Mental Illness	0	3	3	6	9
Multiple Medical Problems	4	2	5	11	11
Multiple Sclerosis	2	0	1	3	0
Muscle/Tissue	1	0	1	2	1
Nephrology	0	0	0	0	0
Neurology	2	2	2	6	7
Orthopedic	1	2	3	6	5
Other	0	0	0	0	0
Respiratory	0	0	0	0	0
Unknown	0	0	0	0	0
<b>TOTAL</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>39</b>	<b>43</b>

**40.63 Benefits Started**

There were 16 TR Board disability annuities started in the second quarter of 2024. 12 of these (75%) were for female claimants, and four (25%) were for male claimants. In the second quarter of 2023, there were 12 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	April	May	June	Q2-2024	Q2-2023
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	3	1	4	8
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	1
Life Annuity with 180 Payments Guaranteed	0	1	1	2	2
75% Continued to Named Survivor (Joint Survivor)	2	4	0	6	0
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	2	2	1
	1	0	0	1	0
<b>TOTAL</b>	<b>3</b>	<b>8</b>	<b>5</b>	<b>16</b>	<b>12</b>

There were 40 WR Board disability annuities started in the second quarter of 2024, compared to 48 disability annuities started in the same period in 2023. Disability annuities in this quarter were made up of 17 female annuitants (43%) and 23 male annuitants (58%). In the second quarter of 2023, new disability annuities were split between 22 female (46%) and 26 male (54%) 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	April	May	June	Q2-2024	Q2-2023
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	9	7	2	18	21
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	4
Life Annuity with 180 Payments Guaranteed	4	2	2	8	10
75% Continued to Named Survivor (Joint Survivor)	4	3	0	7	7
100% Continued to Named Survivor (Joint Survivor)	0	1	1	2	1
100% Continued to Named Survivor (Joint Survivor)	3	0	2	5	5
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
<b>TOTAL</b>	<b>20</b>	<b>13</b>	<b>7</b>	<b>40</b>	<b>48</b>

#### 40.65 Duty Disability

In the second quarter of 2024, eight duty disability claims were approved, five were denied, and three were approved as rescinded denials.

Duty disability benefits were started for five claimants in the second quarter of 2024, compared with four claims started in the same period in 2023. Table 1.10 shows the breakdown of second quarter 2024 duty disability claims by disability type. None of the claims started in the second quarter of 2024 was approved under a presumptive statute. Three duty disability death benefits were started during this period.

**Table 1.10.** Duty Disability Benefits Started by Disability Type

Disability Type	April	May	June	Q2-2024	Q2-2023
Cancer	1	0	0	1	0
Cardiovascular	1	1	0	2	1
Musculoskeletal	0	1	1	2	2
Neurological	0	0	0	0	1
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>4</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.

38 claims were closed in the second quarter of 2024, including six deaths and one claim that was closed because the recipient's lump-sum retirement benefits would last longer than their LTDI maximum duration of benefits. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65.

33 claims are expected to reach their maximum duration dates and be closed during the third quarter of 2024. Assuming all claims remain open until the date of their maximum duration, the number of open claims in 10 years will total 377, and in 20 years there will be 41 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).