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## Correspondence Memorandum

**Date:** February 22, 2017

**To:** Teachers Retirement Board  
Wisconsin Retirement Board

**From:** Deb Roemer, Director  
Benefit Services Bureau  
Division of Retirement Services

**Subject:** October - December 2016 Quarterly Disability Annuity Statistics

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

Attached is the Wisconsin Retirement System (WRS) *Disability Benefit Statistical Report* for October through December 2016. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type.

We would appreciate any feedback that you may offer for improving this report. Please contact Deb Roemer at (608) 266-5387 or [deb.roemer@etf.wi.gov](mailto:deb.roemer@etf.wi.gov) if you have comments or questions.

Staff will be at the Board meeting to answer any questions.

Attachment: 2016 Fourth Quarter Disability Benefit Statistical Report

Reviewed and approved by Matt Stohr, Administrator  
Division of Retirement Services

Electronically Signed 3/2/17

Board	Mtg Date	Item #
JM	3.23.17	4H

***Benefit Services Bureau***

***2016 Fourth Quarter Disability Benefit Statistical Report***



February 14, 2017

## Introduction

The Board delegated authority to the Department to review and approve disability claims as long as staff provides quarterly reports to the Board. The 2016 4th Quarter Disability Benefit Statistical Report provides a statistical review of the Disability Annuity (40.63) and Duty Disability (40.65) programs for the months of October, November, and December 2016. This report provides a review of benefit payments, the number of individuals receiving benefits, and other demographic data. As you will see from the data below, the number of active 40.63 claims is down 1.1% from the beginning of 2016 while the number of active 40.65 claims has remained level. Annual trends and data are included in the annual report, which is typically shared at the first Board meeting of the year.

The Disability Programs Section (DPS) has been working with its actuary, Milliman, Inc., on a comprehensive study of ETF's disability programs. The goal of this study is to review and evaluate current program structures; evaluate the impact of changes to ETF's disability programs; and offer other suggestions for program improvement. The current phase of this study has been to focus on evaluating the plan design of the Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) programs and any plan design changes that would improve efficiencies and reduce program overlap.

The ETF Board voted to close the LTDI program and reopen the 40.63 program to new claims starting in 2018. DPS has begun the process to make changes to administrative rules and internal systems that will enable this change to move forward. The target date for this change is January 1, 2018. A comprehensive communication plan is under development that will communicate this change to stakeholders.

ETF has also developed a comprehensive redesign of the ICI program. The primary changes to this program include decoupling sick leave from premium and benefit determinations in favor of an elimination period based program and eliminating long-term benefits. Short term benefits are increased from 12 to 18 months. Supplementary coverage is eliminated and standard coverage is increased to \$120,000 (from \$64,000) of annual earnings. Additionally, the ICI benefit is reduced from 75% of earnings to 70%. These changes are made to address the serious financial deficit in the State ICI program. At their February 8, 2017 meeting the Group Insurance Board (GIB) approved the proposed changes to the ICI program and DPS anticipates that the redesigned program will begin in 2019 or 2020.

The GIB also approved a proposal to consolidate oversight of all disability programs under a single board. Currently GIB oversight of the ICI program is statutorily required while the ETF Board has delegated LTDI program oversight to the GIB. The GIB action would provide oversight of all of ETF's disability programs under the ETF Board.

## Claim Payments

Table 1.1 shows the monthly total claim payments made during the fourth quarter of 2016 for the 40.63 and 40.65 programs.

Table 1.1. Disability Benefit Payments (40.63 and 40.65)

Program	Oct 2016	Nov 2016	Dec 2016	4th Qtr 2016*
40.63	11,603,051	11,558,178	11,616,331	34,777,559
40.65	2,816,137	2,886,451	2,855,155	8,557,742

\*Quarterly totals may not equal the sum of monthly figures due to rounding

Disability annuity benefit payments decreased 0.49% when compared to fourth quarter 2015 payments (\$34.94 million). Duty disability payments increased 3.5% compared to fourth quarter 2015 payments (\$8.3 million).

The number of active claimants receiving 40.63 and 40.65 benefits in the fourth quarter 2016 are described in table 1.2.

Table 1.2. 40.63 and 40.65 active claimants

Program	Oct 2016	Nov 2016	Dec 2016
40.63	6,399	6,384	6,378
40.65	995	999	1,002

There were 6,449 disability annuitants at the beginning of 2016 and 1,001 claimants receiving 40.65 benefits. Table 1.2 shows the continuing trend of slow decline in the number of claimants receiving monthly 40.63 benefit payments. The number of monthly duty disability claimants continues to fluctuate in a very narrow range and has remained largely unchanged since the end of 2015.

### § 40.63 Disability Annuity

40.63 disability estimates requested and completed in the fourth quarter of 2015 and 2016 are shown in Table 1.3.

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Table 1.3. 40.63 4<sup>th</sup> Quarter disability estimates requested and completed 2015-2016

	Oct	Nov	Dec	Quarter
2016 Disability Estimates Requested	30	14	28	72
2015 Disability Estimates Requested	38	44	27	109
2016 Disability Estimates Completed	33	16	22	71
2015 Disability Estimates Completed	32	45	37	114

There were five Teachers Retirement (TR) Board annuities started in the period examined compared to 10 TR annuities started in the same period in 2015. Three of those annuities (60%) were filed by women and two (40%) were filed by men. In the fourth quarter of 2015 six of the TR Board annuities (60%) were started for women and four (40%) were started for men. Table 1.4 shows the breakdown of annuity options selected by new annuitants.

Table 1.4. TR Board annuities started by option selected

	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	2	0	2	8
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	0
Life Annuity with 180 Payments Guaranteed	0	0	0	0	1
75% Continued to Named Survivor (Joint Survivor)	0	1	0	1	1
100% Continued to Named Survivor (Joint Survivor)	0	1	0	1	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	1	0	1	0
<b>TOTAL</b>	0	5	0	5	10

There were 12 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 31 WR annuities started in the same period in 2015. WR Board annuities in 2016 were made up of five female annuitants (42%) and seven male annuitants (58%). In 2015 new WR Board annuities were 18 female (58%) and 13 male annuitants (42%). Table 1.5 shows the breakdown of options selected by new WR Board annuitants.

Table 1.5. WR Board annuities started by option selected

Option	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	5	1	1	7	8
Life Annuity with 60 Payments Guaranteed	0	1	0	1	4
For Annuitant's Life Only	0	1	0	1	9
Life Annuity with 180 Payments Guaranteed	2	0	0	2	6
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	1
100% Continued to Named Survivor (Joint Survivor)	1	0	0	1	3
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
<b>TOTAL</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>12</b>	<b>31</b>

## New 40.63 Claims

There were five TR Board disability applications filed in the fourth quarter of 2016. All five applications were approved. By comparison five applications were filed for the same period in 2015. There were 16 WR Board disability applications filed in the fourth quarter of 2016. All 16 applications were approved. There were 24 WR Board disability annuity applications in the fourth quarter of 2015.

Tables 2.1 and 2.2 show the breakdown of disability annuity applications by age. The greatest number of claims are concentrated in the 51-60 age range. Claims for 40.63 benefits will continue to be concentrated in this age range as fewer younger participants will be eligible for the benefit.

Table 2.1. TR Board applications by age

Age	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
41-45	0	0	0	0	1
46-50	0	1	0	1	0
51-55	1	1	0	2	3
56-60	0	2	0	2	0
61-65	0	0	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>5</b>

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Table 2.2. WR Board applications by age

Age	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
46-50	0	0	2	2	1
51-55	4	2	4	10	5
56-60	2	0	2	4	6
61-65	0	0	0	0	12
<b>TOTAL</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>16</b>	<b>24</b>

Tables 2.3 and 2.4 show the breakdown of fourth quarter 2016 disability applications by disability type. Orthopedic claims made up 40% of TR claims as did neurological claims while WR Board claims are primarily comprised of neurological claims (31%), mental illness, muscle tissue, and respiratory claims (12.5% each).

Table 2.3 TR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
Cancer	0	0	0	0	1
Hearing Disorder	0	0	0	0	1
Mental Illness	0	1	0	1	1
Multiple Medical Problems	0	0	0	0	1
Neurology	1	1	0	2	0
Orthopedic	0	2	0	2	0
Other	0	0	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>5</b>

Table 2.4 WR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4 <sup>th</sup> Qtr 2016	4 <sup>th</sup> Qtr 2015
Brain Injury	0	0	1	1	0
Cancer	0	0	1	1	2
Cardiovascular	1	0	0	1	4
Gastro/Intestinal	0	0	1	1	0
Mental Illness	1	1	0	2	3
Multiple Medical Problems	1	0	0	1	2
Multiple Sclerosis	0	0	0	0	1
Muscle/Tissue	0	0	2	2	1
Neurology	3	0	2	5	6
Orthopedic	0	0	0	0	5
Respiratory	0	1	1	2	0
<b>TOTAL</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>16</b>	<b>24</b>

## § 40.65 Duty Disability

There were three duty disability benefits started in the fourth quarter of 2016, compared with six duty disability benefits started in the same period in 2015. None of these claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. Five duty disability applications were denied in the fourth quarter. Additionally, one survivor benefit was also started during the fourth quarter of 2016.

Table 3.1 shows the breakdown of duty disability applications by disability type.

Table 3.1 Duty Disability applications by disability type

<b>Disability Type</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>4<sup>th</sup> Qtr 2016</b>	<b>4<sup>th</sup> Qtr 2015</b>
Musculoskeletal	0	1	0	1	6
Cancer	0	0	0	0	0
Cardiovascular	0	0	0	0	0
Psychiatric	0	0	0	0	0
Multiple Medical Problems	0	1	0	1	0
Other	0	0	1	1	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>6</b>