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## Correspondence Memorandum

**Date:** August 7, 2017

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

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

**Subject:** April – July 2017 Quarterly Disability Annuity Statistics

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

Attached is the Wisconsin Retirement System (WRS) *2017 Second Quarter Disability Benefit Statistical Report* for the period April 2017 through July 2017. 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 you may offer for 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: 2017 Second Quarter Disability Statistical Report

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

Electronically Signed 9/12/17

Board	Mtg Date	Item #
JM	9.21.17	4F

**Benefit Services Bureau**

*2017 Second Quarter Disability Benefit Statistical Report*



August 7, 2017

## Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2017 Second 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 April, May and June 2017. 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 has declined, while the number of active 40.65 claims has increased by five claims. Annual trends and data are included in the annual report, which is typically presented at the first Board meeting of the year.

The Disability Programs Section (DPS) continues working on the disability programs redesign project. The current phase of this project centers on efforts to close the Long-Term Disability Insurance (LTDI) program and re-open the 40.63 program to new claims on January 1, 2018. Updates to administrative rules to enable these changes have been developed and ETF held a hearing on the proposed rule on May 30, 2017. In addition, a final draft rule was approved by the ETF Board, the Teachers Retirement Board and the Wisconsin Retirement Board on June 22, 2017. At the time this report was developed, the final rule was awaiting approval by the Governor's office. Staff have begun testing of system functionality to ingest LTDI data from Aetna and make payments through the Benefit Payments System. Development of a communications plan targeting both internal and external stakeholders is in progress.

ETF has also proposed changes to the Income Continuation Insurance (ICI) program to address the actuarial deficit in the state ICI program. These changes would transform the ICI program to a short-term disability income program with an 18-month benefit duration. ETF is developing the necessary amendments to statutory language that will enable these changes to occur. Concurrently, ETF is developing statutory language that will enable oversight of the ICI and LTDI programs to come under the authority of the ETF Board, rather than the Group Insurance Board (GIB). The GIB approved both initiatives at its February 8, 2017, meeting. The ICI program changes have a targeted implementation date of January 1, 2020.

## Claim Payments

Table 1.1 shows the monthly total claim payments made during the second quarter of 2017 for the 40.63 and 40.65 programs.

Table 1.1. Disability Benefit Payments (40.63 and 40.65)

Program	Apr 2017	May 2017	Jun 2017	2nd Qtr 2017*
40.63	\$11,578,425	\$11,932,399	\$11,776,806	\$35,287,631
40.65	\$3,017,012	\$3,028,904	\$2,907,021	\$8,952,937

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

Disability annuity benefit payments (40.63) increased 1.3% when compared to second quarter 2016 payments (\$34.8 million). Duty disability payments (40.65) increased 2.2% compared to second quarter 2016 payments (\$8.7 million).

The number of active claimants receiving 40.63 and 40.65 benefits in the second quarter 2017 are described in table 1.2.

Table 1.2. 40.63 and 40.65 active claimants

Program	Apr 2017	May 2017	Jun 2017
40.63	6,343	6,331	6,322
40.65	1,004	1,007	1,007

There were 6,378 disability annuitants at the beginning of 2017 and 1,002 claimants receiving 40.65 benefits.

## § 40.63 Disability Annuity

40.63 disability annuity estimates requested and completed in the second quarter of 2016 and 2017 are shown in Table 1.3.

Table 1.3. 40.63 disability estimates requested and completed 2016-2017

	Apr	May	Jun	Quarter
2017 Disability Estimates Requested	23	21	25	69
2016 Disability Estimates Requested	44	40	28	112
2017 Disability Estimates Completed	21	22	27	70
2016 Disability Estimates Completed	38	44	31	113

There were two Teachers Retirement (TR) Board annuities started in the period examined. There were seven TR Board annuities started in the same period in 2016. Both 2017 second quarter annuities were started for women. For the second quarter of 2016 four TR Board annuities were started for women (57%) and three annuities were started for men (43%). Table 1.4 shows the breakdown of annuity options selected by new annuitants.

Table 1.4. TR Board annuities started by option selected

Option	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	0	0	0	4
Life Annuity with 60 Payments Guaranteed	0	0	1	1	2
For Annuitant's Life Only	0	0	0	0	0
Life Annuity with 180 Payments Guaranteed	0	1	0	1	0
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
<b>TOTAL</b>	0	1	1	2	7

There were 30 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 18 WR annuities started in the same period in 2016. WR Board annuities in 2017 were made up of 18 female annuitants (60%) and 12 male annuitants (40%). In 2016 new WR Board annuities were split evenly between nine female annuitants and nine male annuitants. 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	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	6	4	4	14	12
Life Annuity with 60 Payments Guaranteed	3	1	0	4	0
For Annuitant's Life Only	0	1	0	1	2
Life Annuity with 180 Payments Guaranteed	2	3	1	6	1
75% Continued to Named Survivor (Joint Survivor)	1	0	1	2	2
100% Continued to Named Survivor (Joint Survivor)	2	1	0	3	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
<b>TOTAL</b>	14	10	6	30	18

## New 40.63 Claims

There were six TR Board disability applications filed in the second quarter of 2017. Five of those applications were approved and one was denied. By comparison, six applications were filed for the same period in 2016 - all six of those applications were approved. A total of 17 WR Board disability applications were approved in the second quarter of 2017. There were 21 WR Board disability annuity applications in 2016.

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, the norm for this program. Claims for 40.63 benefits will continue to be concentrated in this age range as fewer younger participants will be eligible for the benefit. Once the 40.63 program is reopened in January 2018, as currently anticipated, the age range is expected to broaden. Overall claim volume for the 40.63 program is expected to increase by approximately 330 new 40.63 claims per year.

Table 2.1. TR Board applications by age

Age	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
46-50	0	0	1	1	0
51-55	1	1	2	4	4
56-60	0	1	0	1	1
61-65	0	0	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>6</b>

Table 2.2. WR Board applications by age

Age	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
46-50	1	1	0	2	3
51-55	2	3	1	6	9
56-60	3	1	0	4	5
61-65	1	3	1	5	4
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>2</b>	<b>17</b>	<b>21</b>

Tables 2.3 and 2.4 show the breakdown of second quarter 2017 disability applications by disability type. Muscle/tissue and mental illness claims represent 66% of TR Board applications, while WR Board claims are made up of orthopedic and multiple medical problems (23% each), neurological (18%), cancer and mental illness (12% each) claims.

Table 2.3 TR Board disability applications by disability type

Disability Type	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
Cancer	0	0	1	1	1
Mental Illness	0	2	0	2	1
Muscle/Tissue	1	0	1	2	2
Neurology	0	0	1	1	1
Orthopedic	0	0	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>6</b>

Table 2.4 WR Board disability applications by disability type

Disability Type	Apr	May	Jun	2 <sup>nd</sup> Qtr 2017	2 <sup>nd</sup> Qtr 2016
Cancer	0	2	0	2	5
Cardiovascular	0	1	0	1	1
Diabetes	0	0	0	0	1
Eye Disorders	0	0	0	0	1
Mental Illness	1	1	0	2	2
Multiple Medical Problems	2	2	0	4	2
Muscle/Tissue	0	0	0	0	3
Neurology	2	1	0	3	2
Orthopedic	1	1	2	4	4
Respiratory	1	0	0	1	0
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>2</b>	<b>17</b>	<b>21</b>

## § 40.65 Duty Disability

There were eight duty disability benefits started in the second quarter of 2017, compared with five duty disability benefits started in the same period in 2016. None of the 2017 claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. 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>Apr</b>	<b>May</b>	<b>Jun</b>	<b>2<sup>nd</sup> Qtr 2017</b>	<b>2<sup>nd</sup> Qtr 2016</b>
Musculoskeletal	3	3	0	6	2
Cancer	0	0	0	0	1
Multiple Medical Problems	0	1	0	1	0
Neurological	0	1	0	1	0
Orthopedic	0	0	0	0	2
<b>TOTAL</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>8</b>	<b>5</b>