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Correspondence Memorandum

Date: November 14, 2017

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

From: Jim Guidry, Director
Benefit Services Bureau
Division of Retirement Services

Subject: July – September 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 Third Quarter Disability Benefit Statistical Report* for the period July 2017 through September 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 Jim Guidry at (608) 266-5387 or jim.guidry@etf.wi.gov if you have comments or questions.

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

Attachment: 2017 Third Quarter Disability Statistical Report

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

Electronically Signed 11/28/17

Board	Mtg Date	Item #
JM	12.14.17	4D

Benefit Services Bureau

2017 Third Quarter Disability Benefit Statistical Report



November 8, 2017

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2017 Third 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 July, August, and September 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 six 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 were 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. The final proposed rule was submitted to the State Legislature for committee review on August 10, 2017; the review period expired on November 2, with no objections. ETF will submit the rule to the Legislative Reference Bureau in early December 2017 with a January 1, 2018, effective date. Staff continue testing system functionality to ingest LTDI data from Aetna and make payments through the Benefit Payments System.

Communications explaining the changes and outlining options to affected members, such as those with pending LTDI claims or estimates, have gone out. Internal staff have been apprised of the changes and relevant brochures and forms are being updated.

ETF has also proposed changes to the Income Continuation Insurance (ICI) program in order 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 has developed the necessary amendments to statutory language that will enable these changes to occur. Concurrently, we are 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 third quarter of 2017 for the 40.63 and 40.65 programs.

Table 1.1. Disability Benefit Payments (40.63 and 40.65)

Program	Jul 2017	Aug 2017	Sep 2017	3rd Qtr 2017*
40.63	11,724,270	11,782,063	11,729,150	35,235,482
40.65	2,879,938	2,931,014	2,923,749	8,734,701

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

Disability annuity benefit payments (40.63) increased 0.69% when compared to third quarter 2016 payments (\$34.9 million). Duty disability payments (40.65) increased 0.47% compared to third quarter 2016 payments (\$8.6 million).

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

Table 1.2. 40.63 and 40.65 active claimants

Program	Jul 2017	Aug 2017	Sep 2017
40.63	6,298	6,294	6,288
40.65	1,007	1,008	1,008

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 third quarter of 2016 and 2017 are shown in Table 1.3.

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

	Jul	Aug	Sep	Quarter
2017 Disability Estimates Requested	12	13	17	42
2016 Disability Estimates Requested	20	28	25	73
2017 Disability Estimates Completed	12	12	13	37
2016 Disability Estimates Completed	21	25	23	69

There were six Teachers Retirement (TR) Board annuities started in the period examined. There were seven TR annuities started in the same period in 2016. Four TR Board annuities started in the third quarter were started for women (67%) and two were started for men (33%). For the third quarter of 2016 five TR Board annuities were started for women (71%) and two annuities were started for men (29%). Table 1.4 shows the breakdown of annuity options selected by new annuitants.

Table 1.4. TR Board annuities started by option selected

Option	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	1	1	3	2
Life Annuity with 60 Payments Guaranteed	0	0	0	0	1
For Annuitant's Life Only	0	0	0	0	0
Life Annuity with 180 Payments Guaranteed	1	0	0	1	1
75% Continued to Named Survivor (Joint Survivor)	1	0	0	1	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	3
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	1	0	0	1	0
TOTAL	4	1	1	6	7

There were 16 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 28 WR annuities started in the same period in 2016. WR Board annuities in 2017 were made up of nine female annuitants (56%) and seven male annuitants (44%). In 2016 new WR Board annuities were split between 15 female and 13 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	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	3	0	1	4	12
Life Annuity with 60 Payments Guaranteed	0	1	1	2	2
For Annuitant's Life Only	4	1	0	5	4
Life Annuity with 180 Payments Guaranteed	0	2	1	3	3
75% Continued to Named Survivor (Joint Survivor)	0	1	0	1	4
100% Continued to Named Survivor (Joint Survivor)	0	0	1	1	2
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
TOTAL	7	5	4	16	28

New 40.63 Claims

There were eight TR Board disability applications filed in the third quarter of 2017. Seven of those applications were approved and one was cancelled. By comparison, eight applications were filed for the same period in 2016 - all eight of those applications were approved. There were 16 WR Board disability applications filed in the third quarter of 2017. Fourteen applications were approved, one was denied, and one application was cancelled. There were 23 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, 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	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
46-50	0	0	0	0	2
51-55	4	0	1	5	2
56-60	0	1	0	1	2
61-65	1	0	0	1	2
TOTAL	5	1	1	7	8

Table 2.2. WR Board applications by age

Age	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
41-45	0	1	0	1	1
46-50	0	0	1	1	1
51-55	1	2	2	5	11
56-60	1	2	0	3	6
61-65	3	1	0	4	4
TOTAL	5	6	3	14	23

Tables 2.3 and 2.4 show the breakdown of third quarter 2017 disability applications by disability type. TR Board applications are evenly spread among various disability types. WR Board claims primarily consist of orthopedic (43%) and multiple medical problems (29%).

Table 2.3 TR Board disability applications by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
Brain Injury	0	1	0	1	0
Cancer	0	0	0	0	3
Gastro/Intestinal	0	0	1	1	0
Mental Illness	2	0	0	2	1
Muscle/Tissue	0	0	0	0	1
Multiple Medical Problems	1	0	0	1	0
Neurology	0	0	0	0	2
Orthopedic	1	0	0	1	1
Other	1	0	0	1	0
TOTAL	5	1	1	7	8

Table 2.4 WR Board disability applications by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
Cancer	0	0	1	1	4
Eye Disorders	0	0	0	0	1
Mental Illness	0	0	0	0	1
Multiple Medical Problems	3	1	0	4	8
Multiple Sclerosis	0	1	0	1	0
Muscle/Tissue	0	0	0	0	1
Neurology	1	0	0	1	4
Orthopedic	1	4	1	6	3
Other	0	0	1	1	0
Respiratory	0	0	0	0	1
TOTAL	5	6	3	14	23

§ 40.65 Duty Disability

There were eight duty disability benefits started in the third quarter of 2017, compared with three duty disability benefits started in the same period in 2016. Two of the 2017 claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. Six of the claims were approved and two claims were originally denied, but those denials were rescinded and the claims were approved. Additionally, one duty disability death benefit was started in the third quarter of 2017. Table 3.1 shows the breakdown of duty disability applications by disability type.

Table 3.1 Duty Disability applications by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2017	3 rd Qtr 2016
Musculoskeletal	2	1	0	3	1
Cardiovascular	0	0	1	1	1
Cancer	1	0	0	1	0
Multiple Medical Problems	0	0	0	0	1
Neurological	0	2	1	3	0
TOTAL	3	3	2	8	3