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Correspondence Memorandum

Date: May 22, 2018
To: Employee Trust Funds Board
From: Jim Guidry, Director
Benefit Services Bureau
Division of Retirement Services
Subject: January - March 2018 Quarterly Disability Annuity Statistics

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

Attached is the Wisconsin Retirement System (WRS) *2018 First Quarter Disability Benefit Statistical Report* for the period January 2018 through March 2018. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type.

New for this report is the inclusion of Long-Term Disability Insurance (LTDI) benefit payments and claim counts. ETF assumed the payment of these benefits on February 1, 2018. January 2018 LTDI benefits were paid by Aetna. There are no new claims associated with this program as it was closed to new claims on January 1, 2018. There are currently 72 LTDI claims filed in 2017 that remain to be processed.

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: 2018 First Quarter Disability Statistical Report

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

Electronically Signed 6/11/18

Board	Mtg Date	Item #
JM	6.21.18	4D

Benefit Services Bureau

2018 First Quarter Disability Benefit Statistical Report



May 21, 2018

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2018 First Quarter Disability Benefit Statistical Report* provides a statistical review of the Disability Annuity (40.63), Duty Disability (40.65), and Long-Term Disability Insurance programs for the months of January, February, and March 2018. 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 declined during this quarter, while the number of active 40.65 claims increased during this quarter. The number of open 40.63 claims are expected to begin increasing later in 2018 because the program is now open to all eligible members regardless of their hire date. 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 Long-Term Disability Insurance (LTDI) program was closed to new claims and the 40.63 program was re-opened on January 1, 2018, to participating employees with hire dates after October 15, 1992. ETF assumed the payment of LTDI claims on February 1, 2018. There are currently 2,418 open and 2 suspended LTDI claims. There are 72 pending LTDI claims. When the LTDI program was closed on January 1, 2018, there were 135 pending LTDI claims.

Disability program staff are now focused on migrating LTDI administrative functions from Aetna to ETF. To date, the processes for calculating offsets to LTDI benefits, processing LTDI claimant deaths, calculating annual supplemental benefits, and calculating annual benefit adjustments have transitioned to ETF. There are approximately six remaining processes that need to be transitioned to ETF. This transition is expected to be completed by the end of 2018.

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 and a 70% of salary benefit amount. ETF has developed the necessary amendments to statutory language that will enable these changes to occur. Concurrently, ETF developed 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. ETF was unable to secure sponsorship during the 2017-2018 legislative session but will resume those efforts when the new session of the legislature convenes on January 1, 2019.

Claim Payments

Table 1.1 shows the monthly total claim payments made during the first quarter of 2018 for the 40.63, 40.65, and LTDI programs.

Table 1.1. Disability Benefit Payments (40.63, 40.65 and LTDI)

Program	Jan 2018	Feb 2018	Mar 2018	1st Qtr 2018*
40.63	11,699,209	11,630,874	11,669,957	35,000,041
40.65	2,970,757	2,967,723	3,045,173	8,983,653
LTDI	0	3,490,651	3,665,727	7,156,378

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

Disability annuity benefit payments (40.63) increased 1% when compared to first quarter 2017 payments (\$34.6 million). Duty disability payments (40.65) increased 3.6% compared to first quarter 2017 payments (\$8.6 million).

The number of active claimants receiving 40.63, 40.65 and LTDI benefits in the first quarter 2018 are described in table 1.2.

Table 1.2. 40.63, 40.65 and LTDI active claimants

Program	Jan 2018	Feb 2018	Mar 2018
40.63	6,268	6,245	6,243
40.65	1,008	1,011	1,013
LTDI	0	2429	2431

There were 6,275 disability annuitants at the beginning of 2018, 1,011 claimants receiving duty disability, and 2,458 claimants receiving LTDI benefits.

§ 40.63 Disability Annuity

40.63 disability annuity estimates requested and completed in the first quarter of 2017 and 2018 are shown in Table 1.3.

Table 1.3. 40.63 disability estimates requested and completed 2017-2018

	Jan	Feb	Mar	Quarter
2018 Disability Estimates Requested	99	75	76	250
2017 Disability Estimates Requested	35	31	20	86
2018 Disability Estimates Completed	99	76	68	243
2017 Disability Estimates Completed	30	37	21	88

Benefit Services Bureau
 2018 First Quarter Disability Benefit Statistical Report
 May 21, 2018

Disability annuity estimate requests are up 191% and completed requests have increased 176% as a result of the 40.63 of the program reopening on January 1, 2018. There is a lag between the time a claim is filed and when it gets approved, which is why there is a 0.5% decrease in active claims shown in Table 1.2. The volume of open 40.63 claims will start to increase once these new claims get approved for payment.

There were ten Teachers Retirement (TR) Board annuities started in the period examined. There were seven TR annuities started in the same period in 2017. Six TR Board annuities (60%) started in the first quarter were started for female claimants and four annuities (40%) were started for males. For the first quarter of 2017 five TR Board annuities were started for women (71%) and two annuities were started for men (23%). Table 1.4 shows the breakdown of annuity options selected by new annuitants.

Table 1.4. TR Board annuities started by option selected

Option	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	2	2	5	0
Life Annuity with 60 Payments Guaranteed	1	0	0	1	3
For Annuitant's Life Only	0	1	0	1	0
Life Annuity with 180 Payments Guaranteed	0	0	1	1	1
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	2
100% Continued to Named Survivor (Joint Survivor)	0	0	2	2	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	2	3	5	10	7

There were 26 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 25 WR annuities started in the same period in 2017. WR Board annuities in the quarter were made up of 16 female annuitants (62%) and 10 male annuitants (38%). In 2017 new WR Board annuities were split between 11 female and 14 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	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	4	5	9	11
Life Annuity with 60 Payments Guaranteed	0	0	1	1	2
For Annuitant's Life Only	0	1	3	4	1
Life Annuity with 180 Payments Guaranteed	2	1	2	5	6
75% Continued to Named Survivor (Joint Survivor)	0	0	1	1	1
100% Continued to Named Survivor (Joint Survivor)	1	2	2	5	3
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	1	1	1
TOTAL	3	8	15	26	25

New 40.63 Claims

There were 18 TR Board disability applications filed in the first quarter of 2018. Fourteen of those applications were approved, one application was cancelled, two claims were denied, and one claim had its denial rescinded. By comparison, 11 applications were filed for the same period in 2017 - all 11 of those applications were approved. There were 47 WR Board disability applications filed in the first quarter of 2018. Forty applications were approved, three claims were cancelled, one claim was deemed approved, two claims were denied, and one claim had its denial rescinded. There were 29 WR Board disability annuity applications in the same period of 2017.

Tables 2.1 and 2.2 show the breakdown of disability annuity applications by age. The greatest number of claims continue to be concentrated in the 51-60 age range. Claims for 40.63 benefits have started to expand into younger age ranges now that the program is available to all eligible employees. Overall claim volume for the 40.63 program was expected to increase by approximately 330 new 40.63 claims per year beginning in 2018, and the early claim volume in January and February appears to be falling within ETF's expectations.

Table 2.1. TR Board applications by age

Age	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
36-40	1	1	1	3	0
41-45	0	0	2	2	0
46-50	0	2	3	5	1
51-55	3	0	3	6	4
56-60	1	0	0	1	5
61-65	0	0	1	1	1
TOTAL	5	3	10	18	11

Table 2.2. WR Board applications by age

Age	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
31-35	1	2	0	3	0
36-40	1	1	1	3	0
41-45	1	2	0	3	1
46-50	1	1	3	5	4
51-55	6	5	3	14	12
56-60	3	4	7	14	7
61-65	0	1	4	5	5
TOTAL	13	16	18	47	29

Tables 2.3 and 2.4 show the breakdown of first quarter 2018 disability applications by disability type. TR Board claims were made up of neurology claims (27%), cancer (22%), and mental illness (11%). WR Board claims consisted of neurology claims (23%), orthopedic and cancer claims (15% each), and mental illness claims (13%).

Table 2.3 TR Board disability applications by disability type

Disability Type	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
Cancer	4	0	0	4	4
Cardiovascular	0	0	1	1	0
Eye Disorders	0	0	0	0	1
Gastro/Intestinal	0	0	0	0	1
Mental Illness	0	0	2	2	3
Multiple Medical Problems	1	1	1	3	1
Multiple Sclerosis	0	0	1	1	0
Muscle/Tissue	0	0	1	1	0
Nephrology	0	0	0	0	1
Neurology	0	2	3	5	0
Other	0	0	1	1	0
TOTAL	5	3	10	18	11

Table 2.4 WR Board disability applications by disability type

Disability Type	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
Cancer	2	3	2	7	5
Cardiovascular	0	0	1	1	2
Mental Illness	1	2	3	6	2
Multiple Medical Problems	4	3	1	8	4
Multiple Sclerosis	2	0	0	2	1
Muscle/Tissue	0	2	1	3	5
Nephrology	0	1	0	1	2
Neurology	3	3	5	11	3
Orthopedic	1	2	4	7	5
Other	0	0	1	1	0
TOTAL	13	16	18	47	29

§ 40.65 Duty Disability

There were 11 duty disability benefits started in the first quarter of 2018, compared with three duty disability benefits started in the same period in 2017. Two of the first quarter 2018 claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. Ten of the claims were approved and one claim was originally denied, but the denial was rescinded and the claim was approved. Also, death benefits were started for the survivors of three deceased duty disability recipients.

Table 3.1 Duty Disability benefits by disability type

Disability Type	Jan	Feb	Mar	1st Qtr 2018	1st Qtr 2017
Musculoskeletal	4	0	3	7	2
Cancer	0	2	0	2	0
Neurological	0	0	1	1	1
Mental Illness	1	0	0	1	0
TOTAL	5	2	4	11	3