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Correspondence Memorandum

Date: August 24, 2018
To: Employee Trust Funds Board
From: Jim Guidry, Director
Benefit Services Bureau
Division of Retirement Services
Subject: April – June 2018 Quarterly Disability Statistics

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

Attached is the Wisconsin Retirement System (WRS) *2018 Second Quarter Disability Benefit Statistical Report* for the period April 2018 through June 2018. The report provides quarterly data for the Disability Annuity, Duty Disability, and Long-Term Disability Insurance (LTDI) programs on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type.

There are no new claims associated with the LTDI program because it was closed to new claims on January 1, 2018. There are currently 42 LTDI claims that were 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 Second Quarter Disability Statistical Report

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

Electronically Signed 9/5/18

Board	Mtg Date	Item #
JM	9.20.18	4E

Benefit Services Bureau

2018 Second Quarter Disability Benefit Statistical Report



August 24, 2018

Introduction

The Department of Employee Trust Funds (ETF) reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2018 Second Quarter Disability Benefit Statistical Report* 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 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 slightly (0.2%) during this quarter, while the number of active 40.65 claims increased during this quarter by 1%. The number of open 40.63 claims is 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 following year.

The Disability Programs Section (DPS) continues working on the disability programs redesign project. On January 1, 2018, the Long-Term Disability Insurance (LTDI) program was closed to new claims and the 40.63 program was re-opened to participating employees with hire dates after October 15, 1992. ETF assumed the payment of LTDI claims on February 1, 2018. There are currently 2,353 open and 17 suspended LTDI claims. There are 42 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 all supplemental benefits and calculating annual benefit adjustments have transitioned to ETF. There are approximately four 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 second 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	Apr 2018	May 2018	Jun 2018	2nd Qtr 2018*
40.63	11,802,339	12,115,766	12,144,540	36,062,645
40.65	3,008,511	2,988,100	2,927,005	8,923,616
LTDI	3,626,038	3,698,656	3,584,876	10,909,570

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

Disability annuity benefit payments (40.63) increased 2.2% when compared to second quarter 2017 payments (\$35.3 million). Duty disability payments (40.65) decreased 0.3% compared to second quarter 2017 payments (\$8.95 million). LTDI benefit payments increased 2.5% over the same period in 2017 (\$10.6 million).

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

Table 1.2. 40.63, 40.65 and LTDI active claimants

Program	Apr 2018	May 2018	Jun 2018
40.63	6,248	6,254	6,260
40.65	1,017	1,020	1,021
LTDI	2,434	2,430	2,419

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 second quarter of 2017 and 2018 are shown in Table 1.3.

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

	Apr	May	Jun	Quarter
2018 Disability Estimates Requested	103	64	55	222
2017 Disability Estimates Requested	23	21	25	69
2018 Disability Estimates Completed	95	74	68	237
2017 Disability Estimates Completed	21	22	27	70

Disability annuity estimate requests are up 221% and completed requests have increased 239% as a result of the 40.63 program reopening on January 1, 2018. There is a lag between the time a claim is filed and when it gets approved, which explains why there is a 0.2% decrease in active claims from the beginning of the year (Table 1.2). The volume of open 40.63 claims will start to increase once these new claims get approved for payment.

There were 15 Teachers Retirement (TR) Board annuities started in the period examined. There were two TR annuities started in the same period in 2017. Eleven TR Board annuities (73%) started in the second quarter were for female claimants and four annuities (27%) were started for males. For the quarter of 2017 both TR Board annuities were started for female claimants. 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	2nd Qtr 2018	2nd Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	3	1	5	0
Life Annuity with 60 Payments Guaranteed	0	0	1	1	1
For Annuitant's Life Only	2	0	1	3	0
Life Annuity with 180 Payments Guaranteed	1	1	1	3	1
75% Continued to Named Survivor (Joint Survivor)	0	0	1	1	0
100% Continued to Named Survivor (Joint Survivor)	0	0	2	2	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	4	4	7	15	2

There were 65 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 30 WR annuities started in the same period in 2017. WR Board annuities in the quarter were made up of 34 female annuitants (52%) and 31 male annuitants (48%). In 2017 new WR Board annuities were split between 18 female and 12 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	2nd Qtr 2018	2nd Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	11	5	11	27	14
Life Annuity with 60 Payments Guaranteed	2	0	1	3	4
For Annuitant's Life Only	4	4	5	13	1
Life Annuity with 180 Payments Guaranteed	1	7	5	13	6
75% Continued to Named Survivor (Joint Survivor)	0	0	2	2	2
100% Continued to Named Survivor (Joint Survivor)	5	1	1	7	3
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	23	17	25	65	30

New 40.63 Claims

There were 19 TR Board disability applications filed in the second quarter of 2018. Seventeen of those applications were approved and two claims were denied. By comparison, six applications were filed for the same period in 2017 -- five of those applications were approved and one was denied. This represents a 216% increase in TR claims over the same period for 2017. There were 64 WR Board disability applications filed in the second quarter of 2018. Fifty applications were approved, seven claims were canceled and seven claims were denied. The number of 40.63 applications in the second quarter of 2018 was an increase of 276% over the 17 WR Board disability annuity applications in the same period of 2017. All the 17 WR Board claims in the second quarter of 2017 were approved.

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 active eligible employees. Overall claim volume for the 40.63 program was expected to increase by approximately 330 claims per year beginning in 2018, and the claim volume through the month of June continues to fall within these expectations.

Table 2.1. TR Board applications by age

Age	Apr	May	Jun	2nd Qtr 2018	2nd Qtr 2017
26-30	0	0	1	1	0
46-50	2	1	0	3	1
51-55	0	3	5	8	4
56-60	1	3	1	5	1
61-65	1	1	0	2	0
TOTAL	4	8	7	19	6

Table 2.2. WR Board applications by age

Age	Apr	May	Jun	2nd Qtr 2018	2nd Qtr 2017
26-30	1	0	0	1	0
31-35	1	0	0	1	0
36-40	0	1	1	2	0
41-45	0	1	1	2	0
46-50	5	2	1	8	2
51-55	4	8	5	17	6
56-60	4	7	10	21	4
61-65	2	7	3	12	5
TOTAL	17	26	21	64	17

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Tables 2.3 and 2.4 show the breakdown of second quarter 2018 disability applications by disability type. TR Board claims were made up of cancer claims (21%), neurology (21%), multiple medical problems (16%), mental illness and multiple sclerosis (11% each). WR Board claims consisted of multiple medical problems (30%), cancer (20%), neurology (19%), and orthopedic claims (11%).

Table 2.3 TR Board disability applications by disability type

Disability Type	Apr	May	Jun	2nd Qtr 2018	2nd Qtr 2017
Brain Injury	0	0	1	1	0
Cancer	2	1	1	4	1
Cardiovascular	1	0	0	1	0
Mental Illness	0	1	1	2	2
Multiple Medical Problems	0	2	1	3	0
Multiple Sclerosis	0	0	2	2	0
Muscle/Tissue	0	0	0	0	2
Nephrology	0	1	0	1	0
Neurology	1	3	0	4	1
Respiratory	0	0	1	1	0
TOTAL	4	8	7	19	6

Table 2.4 WR Board disability applications by disability type

Disability Type	Apr	May	Jun	2nd Qtr 2018	2nd Qtr 2017
Cancer	3	6	4	13	2
Cardiovascular	0	1	0	1	1
Mental Illness	2	2	0	4	2
Multiple Medical Problems	7	6	6	19	4
Multiple Sclerosis	0	0	1	1	0
Muscle/Tissue	0	0	1	1	0
Neurology	3	4	5	12	3
Orthopedic	1	3	3	7	4
Other	1	1	1	3	0
Respiratory	0	3	0	3	1
TOTAL	17	26	21	64	17

§ 40.65 Duty Disability

There were eight duty disability benefits started in the second quarter of 2018, compared with eight claims started in the same period in 2017. None of the second quarter 2018 claims were approved under the cancer, heart and lung, or infectious disease presumptive statutes. All eight of the duty disability claims were approved. No duty disability death benefits were started during this period. Table 3.1 shows the breakdown of second quarter 2018 duty disability claims by disability type.

Table 3.1 Duty Disability benefits by disability type

Disability Type	Apr	May	Jun	2nd Qtr 2018	2nd Qtr 2017
Musculoskeletal	2	1	0	3	6
Neurological	0	0	0	0	1
Mental Illness	2	0	0	2	0
Multiple Medical Problems	0	0	1	1	1
Other	0	2	0	2	0
TOTAL	4	3	1	8	8