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Correspondence Memorandum

Date: November 16, 2018

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 2018 Quarterly Disability Statistics

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

Attached is the Wisconsin Retirement System (WRS) *2018 Third Quarter Disability Benefit Statistical Report* for the period July 2018 through September 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, approval determination, age, and disability type.

As a reminder, there are no new claims associated with the LTDI program as it was closed to new claims on January 1, 2018. There are currently 28 LTDI claims that were filed in 2017 that are still pending.

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 Third Quarter Disability Statistical Report

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

Matt Stohr Electronically Signed 12/3/18

Board	Mtg Date	Item #
JM	12.13.18	4C

Benefit Services Bureau

2018 Third Quarter Disability Benefit Statistical Report



November 7, 2018

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2018 Third 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 July, August, and September 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 increased slightly (0.1%) for the year, while the number of active 40.65 claims increased by 1.4%. The number of open 40.63 claims is expected to begin increasing 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. 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 2,310 open and 12 suspended LTDI claims. There are 32 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 three 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 legislative action during the 2017-2018 legislative session. The ICI redesign proposal has been included in ETF's 2019-2021 Budget Request.

Claim Payments

Table 1.1 shows the monthly total claim payments made during the third 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	Jul 2018	Aug 2018	Sep 2018	3rd Qtr 2018*
40.63	12,342,580	12,156,618	12,252,747	36,751,945
40.65	2,962,917	2,925,684	2,924,127	8,812,728
LTDI	3,545,794	3,573,536	3,456,363	10,575,693

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

Disability annuity benefit payments (40.63) increased 4.3% when compared to third quarter 2017 payments (\$35.2 million). Duty disability payments (40.65) increased 0.9% compared to third quarter 2017 payments (\$8.7 million). LTDI benefit payments decreased 0.6% compared to the same period in 2017 (\$10.6 million).

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

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Jul 2018	Aug 2018	Sep 2018
40.63	6,287	6,282	6,284
40.65	1,023	1,022	1,025
LTDI	2,407	2,368	2,358

At the beginning of 2018, there were 6,275 disability annuitants, 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 third quarter of 2017 and 2018 are shown in Table 1.3.

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

	Jul	Aug	Sep	Quarter
2018 Disability Estimates Requested	60	48	63	171
2017 Disability Estimates Requested	12	13	17	42
2018 Disability Estimates Completed	59	46	57	162
2017 Disability Estimates Completed	12	12	13	37

Disability annuity estimate requests are up 307% and completed requests have increased 338% 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 only a 0.1% increase 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 19 Teachers Retirement (TR) Board annuities started in the period examined. There were six TR annuities started in the same period in 2017. Fifteen TR Board annuities (79%) started in the third quarter were for female claimants, and four annuities (21%) were started for males. For the third quarter of 2017, four TR Board annuities (67%) were started for female claimants, and two (33%) were started for males. 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	3rd Qtr 2018	3rd Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	4	2	6	3
Life Annuity with 60 Payments Guaranteed	0	0	0	0	0
For Annuitant's Life Only	2	3	1	6	0
Life Annuity with 180 Payments Guaranteed	0	4	0	4	1
75% Continued to Named Survivor (Joint Survivor)	1	1	0	2	1
100% Continued to Named Survivor (Joint Survivor)	0	0	1	1	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	1
TOTAL	3	12	4	19	6

There were 46 Wisconsin Retirement (WR) Board annuities started in the period examined, compared to 16 WR annuities started in the same period in 2017. WR Board annuities in the quarter were made up of 23 female annuitants (50%) and 23 male annuitants (50%). In 2017 new WR Board annuities were split between 9 female and 7 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	3rd Qtr 2018	3rd Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	7	7	4	18	4
Life Annuity with 60 Payments Guaranteed	0	0	0	0	2
For Annuitant's Life Only	4	4	2	10	5
Life Annuity with 180 Payments Guaranteed	3	2	2	7	3
75% Continued to Named Survivor (Joint Survivor)	1	0	3	4	1
100% Continued to Named Survivor (Joint Survivor)	3	1	1	5	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	1	0	1	2	0
TOTAL	19	14	13	46	16

New 40.63 Claims

There were 26 TR Board disability applications filed in the third quarter of 2018. Twenty-one of those applications were approved, two were cancelled, one was deemed approved, and two claims were denied. By comparison, eight applications were filed for the same period in 2017 - seven of those applications were approved and one was cancelled. This represents a 225% increase in TR claims over the same period in 2017. There were 60 WR Board disability applications filed in the third quarter of 2018. Fifty-one applications were approved, two claims were cancelled, six claims were denied, and one was invalid. The number of 40.63 applications in the third quarter of 2018 was an increase of 275% over the 16 WR Board disability annuity applications in the same period in 2017. For the third quarter of 2017, 14 WR Board disability applications were approved, one was cancelled, and one was denied.

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 September continues to fall within these expectations.

Table 2.1. TR Board applications by age

Age	Jul	Aug	Sep	3rd Qtr 2018	3rd Qtr 2017
36-40	1	2	0	3	0
41-45	1	1	0	2	0
46-50	1	1	1	3	0
51-55	4	1	4	9	5
56-60	3	3	1	7	2
61-65	0	2	0	2	1
TOTAL	10	10	6	26	8

Table 2.2. WR Board applications by age

Age	Jul	Aug	Sep	3rd Qtr 2018	3rd Qtr 2017
26-30	0	0	0	0	0
31-35	1	0	0	1	0
36-40	0	0	0	0	0
41-45	2	2	1	5	1
46-50	2	3	2	7	2
51-55	4	8	4	16	5
56-60	4	5	10	19	3
61-65	2	3	7	12	5
TOTAL	15	21	24	60	16

Tables 2.3 and 2.4 show the breakdown of third quarter 2018 disability applications by disability type. TR Board claim disability types consisted primarily of cancer (27%), multiple medical problems (15%), orthopedic (15%), mental illness (12%), and neurology (12%). WR Board claims consisted primarily of multiple medical problems (28%), orthopedic (25%), neurology (22%), and mental illness (10%).

Table 2.3 TR Board disability applications by disability type

Disability Type	Jul	Aug	Sep	3rd Qtr 2018	3rd Qtr 2017
Brain Injury	0	0	0	0	1
Cancer	2	4	1	7	0
Chemical Dependence	0	1	0	1	0
Gastro/Intestinal	1	0	0	1	1
Mental Illness	1	0	2	3	3
Multiple Medical Problems	1	1	2	4	1
Multiple Sclerosis	0	1	1	2	0
Nephrology	0	1	0	1	0
Neurology	2	1	0	3	0
Orthopedic	3	1	0	4	1
Other	0	0	0	0	1
TOTAL	10	10	6	26	8

Table 2.4 WR Board disability applications by disability type

Disability Type	Jul	Aug	Sep	3rd Qtr 2018	3rd Qtr 2017
Cancer	0	0	4	4	1
Cardiovascular	1	1	0	2	0
Gastro/Intestinal	0	0	1	1	0
Hearing Disorders	1	0	0	1	0
Mental Illness	1	3	2	6	1
Multiple Medical Problems	4	5	8	17	5
Multiple Sclerosis	0	0	0	0	1
Neurology	4	4	5	13	1
Orthopedic	4	8	3	15	6
Other	0	0	0	0	1
Respiratory	0	0	1	1	0
TOTAL	15	21	24	60	16

§ 40.65 Duty Disability

There were eight duty disability benefits started in the third quarter of 2018, compared with eight claims started in the same period in 2017. One of the third quarter 2018 claims was approved under the cancer, and one under the heart and lung presumptive statutes. There were three duty disability claims denied. No duty disability death benefits were started during this period. Table 3.1 shows the breakdown of third quarter 2018 duty disability claims by disability type.

Table 3.1 Duty Disability benefits by disability type

Disability Type	Jul	Aug	Sep	3rd Qtr 2018	3rd Qtr 2017
Cancer	0	0	1	1	1
Cardiovascular	1	0	0	1	1
Musculoskeletal	1	0	2	3	3
Neurological	1	0	0	1	3
Psychiatric	0	1	0	1	0
Multiple Medical Problems	0	0	1	1	0
TOTAL	3	1	4	8	8