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Correspondence Memorandum

Date: February 22, 2019

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

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

Subject: October – December 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 Fourth Quarter Disability Benefit Statistical Report* for the period October 2018 through December 2018. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age and disability type.

We appreciate any feedback or suggestions you may offer for future inclusion in 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 Fourth Quarter Disability Statistical Report

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services

 Electronically Signed 3/6/19

Board	Mtg Date	Item #
JM	3.21.19	4E

Benefit Services Bureau

2018 Fourth Quarter Disability Benefit Statistical Report



February 22, 2019

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2018 Fourth 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 October, November, and December 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 (0.8%) for the year, and the number of active 40.65 claims increased by 1.1%. With the reopening of the 40.63 program in 2018, the number of open 40.63 claims is expected to continue to increase, as newly filed claims become approved for payment. 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 2,252 open and 15 suspended LTDI claims. All LTDI claims that were pending at the time the program was closed have been finalized at this time.

Disability program staff has remained focused on migrating LTDI administrative functions from Aetna to ETF by the end of 2018, and as of December 2018, can claim success. All LTDI-specific administrative functions identified by the project have been transitioned from The Hartford to ETF. As planned, The Hartford will continue to calculate any over- or under-payments of LTDI benefits that may occur going forward.

ETF has also proposed statutory language amendments that will support the changes necessary to redesign the ICI program. These changes were approved by the Group Insurance Board (GIB) at its February 8, 2017, meeting. The first change addresses the actuarial deficit in the state ICI program. This change 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. The second change enables oversight of the ICI program by the authority of the ETF Board, rather than the GIB. The Governor's budget proposal on February 28, 2019, included the oversight changes requested by ETF, however, the ICI plan design changes were not a part of that proposal. ETF continues to evaluate legislative options for the ICI redesign effort, including the current budget process.

Claim Payments

Table 1.1 shows the monthly totals of benefit payments made during the fourth quarter of 2018 for the 40.63, 40.65, and LTDI programs.

Disability annuity benefit payment totals (40.63) increased 4.7% when compared to fourth quarter 2017 totals (\$35.1 million). Duty disability totals (40.65) increased 0.4% compared to fourth quarter 2017 (\$8.75 million). LTDI benefit payment totals increased 1.2% compared to the same period in 2017 (\$10.2 million).

Table 1.1. Disability benefit payment totals (40.63, 40.65, and LTDI)

Program	Oct 2018	Nov 2018	Dec 2018	4th Qtr 2018*	vs. 4th Qtr 2017
40.63	12,244,935	12,270,038	12,247,426	36,762,399	+4.7%
40.65	2,959,027	2,905,927	2,930,116	8,795,069	+0.4%
LTDI	3,421,044	3,460,964	3,419,079	10,301,087	+1.2%

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

At the beginning of 2018, there were 6,275 disability annuitants, 1,011 claimants receiving duty disability, and 2,458 claimants receiving LTDI benefits. There is a lag between the time a 40.63 claim is filed and when it gets approved, and we are just starting to see the results of the reopening of the 40.63 disability annuity program on active claims, with the increase going from 0.1% last quarter to 0.7% this quarter. We expect this upward trend to continue as more of the pending 40.63 claims are approved for payment. Table 1.2 shows the number of active claimants receiving 40.63, 40.65 and LTDI benefits in the fourth quarter 2018.

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Oct 2018	Nov 2018	Dec 2018
40.63	6,298	6,309	6,324
40.65	1,016	1,018	1,022
LTDI	2,343	2,325	2,312

§ 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the fourth quarter of 2017 and 2018.

After an initial rush at the end of 2017, the number of disability annuity estimate requests have begun to stabilize in the wake of the 40.63 program reopening. The number of estimates

requested decreased by 17.5% compared to the fourth quarter of 2017, and the number of estimates completed decreased by 10.6% compared to the same period in 2017.

Table 1.3. 40.63 estimates requested and completed 2017-2018

	Oct	Nov	Dec	Quarter
2018 Disability Estimates Requested	66	59	50	175
2017 Disability Estimates Requested	25	101	86	212
2018 Disability Estimates Completed	72	61	53	186
2017 Disability Estimates Completed	21	85	102	208

There were nine Teachers Retirement (TR) Board annuities started in the fourth quarter of 2018. Four of these (44%) were for female claimants, and five (56%) were for males. In the fourth quarter of 2017, four TR Board annuities were started, all (100%) 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	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	1	0	2	3
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	1	0	0	1	1
Life Annuity with 180 Payments Guaranteed	1	0	2	3	0
75% Continued to Named Survivor (Joint Survivor)	0	0	1	1	0
100% Continued to Named Survivor (Joint Survivor)	1	0	0	1	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	5	1	3	9	4

There were 55 Wisconsin Retirement (WR) Board annuities started in the fourth quarter of 2018, compared to six WR Board annuities started in the same period in 2017. WR Board annuities in this quarter were made up of 24 female annuitants (44%) and 31 male annuitants (56%). In 2017 new WR Board annuities were split between three female (50%) and three male (50%) 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	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	12	6	5	23	4
Life Annuity with 60 Payments Guaranteed	4	2	2	8	0
For Annuitant's Life Only	1	3	1	5	1
Life Annuity with 180 Payments Guaranteed	3	5	1	9	1
75% Continued to Named Survivor (Joint Survivor)	3	1	1	5	1
100% Continued to Named Survivor (Joint Survivor)	2	2	0	4	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	1	0	0	1	1
TOTAL	26	19	10	55	6

New 40.63 Claims

There were 10 TR Board disability applications filed in the fourth quarter of 2018. Eight of those applications were approved, and two were cancelled. In comparison, four applications were filed for the same period in 2017, and all four were approved. This represents a 150% increase in TR claims over the same period in 2017.

There were 49 WR Board disability applications filed in the fourth quarter of 2018. Forty-three applications were approved, one was cancelled, one was deemed approved, and four applications were denied. In addition, one claim was terminated this quarter because information filed by the claimant indicated they were no longer disabled. The number of applications in the fourth quarter of 2018 represents a 345% increase over the 11 WR Board disability annuity applications in the same period in 2017; all of which 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. Notably, however, claims for 40.63 benefits are extending into younger age ranges now that the program is available to all eligible employees.

The total number of new claims for 2018 is approximately 200 claims higher than in 2017. Preliminary estimates suggest that continued growth is to be expected in 2019. Overall claim volume for the 40.63 program was projected to increase by approximately 330 claims per year.

Table 2.1. TR Board applications by age

Age	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
46-50	4	1	1	6	1
51-55	0	2	1	3	2
56-60	1	0	0	1	1
TOTAL	5	3	2	10	4

Table 2.2. WR Board applications by age

Age	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
31-35	1	1	0	2	0
36-40	2	1	2	5	0
41-45	2	1	2	5	1
46-50	0	2	2	4	2
51-55	4	3	3	10	3
56-60	7	5	5	17	3
61-65	1	2	3	6	2
TOTAL	17	15	17	49	11

Tables 2.3 and 2.4 show the breakdown of fourth quarter 2018 disability applications by disability type. TR Board claim disability types consisted primarily of multiple medical problems (30%), neurology (30%), and cancer (20%). WR Board claims consisted primarily of multiple medical problems (24%), orthopedic (24%), mental illness (12%), and neurology (8%).

Table 2.3 TR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
Cancer	1	1	0	2	1
Cardiovascular	1	0	0	1	0
Gastro/Intestinal	0	0	0	0	1
Multiple Medical Problems	1	1	1	3	0
Muscle/Tissue	0	0	0	0	1
Nephrology	0	0	1	1	0
Neurology	2	1	0	3	1
TOTAL	5	3	2	10	4

Table 2.4 WR Board disability applications by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
Brain Injury	0	1	0	1	0
Cancer	1	0	2	3	0
Cardiovascular	1	1	0	2	0
Eye Disorders	1	0	2	3	0
Mental Illness	3	1	2	6	1
Multiple Medical Problems	4	3	5	12	1
Multiple Sclerosis	0	0	1	1	1
Muscle/Tissue	0	1	1	2	0
Nephrology	0	1	0	1	0
Neurology	1	1	2	4	3
Orthopedic	5	6	1	12	5
Respiratory	1	0	1	2	0
TOTAL	17	15	17	49	11

§ 40.65 Duty Disability

Duty disability benefits were started for five claimants in the fourth quarter of 2018, compared with six claims started in the same period in 2017. Table 3.1 shows the breakdown of fourth quarter 2018 duty disability claims by disability type. One of the fourth quarter 2018 claims was approved under the heart and lung presumptive statutes, two duty disability claims were denied, and one duty disability death benefit was started during this period.

Table 3.1 Duty Disability benefits by disability type

Disability Type	Oct	Nov	Dec	4th Qtr 2018	4th Qtr 2017
Cancer	0	0	0	0	1
Cardiovascular	0	0	0	0	2
Heart	0	0	1	1	0
Mental Illness	0	0	0	0	1
Musculoskeletal	1	0	0	1	2
Psychiatric	1	0	2	3	0
TOTAL	2	0	3	5	6