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Correspondence Memorandum

Date: November 11, 2021

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 2021 Disability Programs Update

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

Attached is the Wisconsin Retirement System (WRS) *2021 Third Quarter Disability Programs Update* for the period July 2021 through September 2021. The report provides quarterly data on benefit payments, the number of annuities started, options selected, gender, determination, age, and disability type. It should be noted that the number of 40.63 applications has increased this quarter after a year of relatively low application numbers. This quarter is the first to show a return to pre-2020 levels, which may be indicative of a pandemic-related delay in claims filings. Future data will need to be reviewed to establish whether the increase will be sustained.

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: 2021 Third Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services – Electronically Signed 11/16/21

Board	Mtg Date	Item #
JM	12.09.21	4D

Benefit Services Bureau

2021 Third Quarter Disability Programs Update



November 11, 2021

Introduction

The Department of Employee Trust Funds (ETF) administers Wisconsin Retirement System (WRS) disability benefits and provides this quarterly report to the Teacher's Retirement and Wisconsin Retirement boards. The *2021 Third Quarter Disability Programs Update* 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 2021. This report provides a review of benefit payments, the number of individuals receiving benefits, and other demographic data. As indicated by the data presented below, the number of active LTDI claims continues to decrease, while the number of active 40.63 and 40.65 claims remained stable. Annual trends and data are included in the annual report, which is typically presented at the first Board meeting of each year.

The Disability Program Section is currently managing the mailing and processing of the Recertification Medical Report for recipients of LTDI and 40.63 benefits. The Recertification Medical Report is one of two forms required annually from recipients of disability benefits. Each form is reviewed as it is returned, to ensure that benefit recipients continue to meet the program's statutory definition of disability. This is the second year that ETF has processed the annual Recertification Medical Report review, since the process was taken in-house from the TPA in 2020.

Disability Benefit Payments

Table 1.1 shows the monthly totals of benefit payments made during the third quarter of 2021 for the 40.63, 40.65, and LTDI programs. Table 1.2 shows the total number of active claimants each month by program. Both the LTDI benefit payment totals and the number of active LTDI claimants continue to decline due to the closure of the program to new claims in January 2018.

Compared to the third quarter of 2020, disability annuity (40.63) benefit payments have increased by 6.1%, duty disability (40.65) totals increased by 0.1%, and LTDI benefit payment totals decreased by 4.4%.

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

Program	Jul 2021	Aug 2021	Sep 2021	3 rd Qtr 2021*	3 rd Qtr 2020*
40.63	13,560,534	13,446,814	13,444,454	40,451,802	38,119,903
40.65	3,047,089	3,077,132	3,028,081	9,152,302	9,142,283
LTDI	2,841,439	2,801,047	2,785,443	8,427,929	8,815,164

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

At the beginning of 2021, there were 6,437 disability annuitants, 1,026 claimants receiving duty disability, and 1,883 claimants receiving LTDI benefits. Table 1.2 shows the number of active claimants receiving 40.63, 40.65, and LTDI benefits in the third quarter of 2021.

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Jul 2021	Aug 2021	Sep 2021
40.63	6,417	6,417	6,407
40.65	1,021	1,023	1,025
LTDI	1,817	1,803	1,791

§ 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the third quarters of 2020 and 2021.

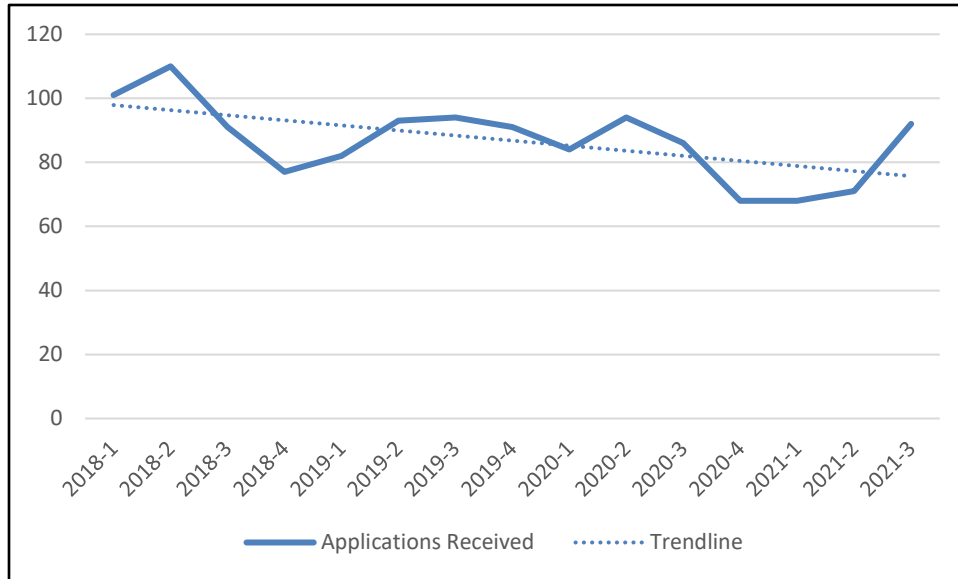
The number of estimates requested decreased by 10.2%, compared to the third quarter of 2020, and the number of estimates completed decreased by 15.7% compared to the same period in 2020.

Table 1.3. 40.63 estimates requested and completed 2020-2021

	Jul	Aug	Sep	3 rd Quarter
2021 Disability Annuity Estimates Requested	30	66	54	150
2020 Disability Annuity Estimates Requested	37	84	46	167
2021 Disability Annuity Estimates Completed	32	62	51	145
2020 Disability Annuity Estimates Completed	46	78	48	172

The number of 40.63 disability annuity applications received in the third quarter of 2021 (92) is higher than the number received in the third quarter of 2020 (86), representing an increase of 7.0% from last year. While our data is insufficient to establish causality, Figure 1 suggests that the pandemic may have contributed to the drop in application volume late last year, as well as this quarter's return to more typical application volumes.

Figure 1. 40.63 Applications Received Since Program Reopening



§ 40.63 Benefit Determinations

There were 14 Teachers Retirement (TR) Board disability annuity claim determinations in the third quarter of 2021. Thirteen claims were approved, and one was canceled. By comparison, there were 21 claim determinations for the same period in 2020, of which 19 were approved, one was canceled, and one was denied. This represents a decrease of 33.3% in TR claim determinations from the same period in 2020.

There were 54 Wisconsin Retirement (WR) Board disability annuity claim determinations in the third quarter of 2021. Forty-seven applications were approved, three were canceled, and four were denied. The number of claim determinations in the third quarter of 2021 represents an 21.7% decrease from the 69 WR Board disability annuity claim determinations in the same period in 2020.

Tables 1.4 and 1.5 show the breakdown of disability annuity claim determinations by age. Claims have been extending into younger age ranges now that the program is available to all eligible employees. This quarter, the number of TR Board claims are spread quite evenly across the 41-65 age range. The WR Board claims have also extended into younger age ranges, but claims this quarter remain concentrated in the 51-60 age range.

Table 1.4. TR Board claim determinations by age

Age	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
31-35	0	0	0	0	1
36-40	0	0	0	0	1
41-45	1	0	2	3	2
46-50	1	1	1	3	2
51-55	1	0	1	2	5
56-60	2	2	0	4	8
61-65	1	1	0	2	2
TOTAL	6	4	4	14	21

Table 1.5. WR Board claim determinations by age

Age	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
31-35	0	1	0	1	2
36-40	1	0	0	1	3
41-45	1	2	1	4	6
46-50	2	2	3	7	12
51-55	4	8	6	18	14
56-60	4	6	4	14	21
61-65	4	1	4	9	11
TOTAL	16	20	18	54	69

Tables 1.6 and 1.7 show the breakdown of third quarter 2021 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (36%), and cancer (21%). WR Board claims consisted primarily of multiple medical problems (17%), cancer (17%), and orthopedic (17%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
Brain Injury	1	0	0	1	0
Cancer	1	1	1	3	4
Mental Illness	1	0	0	1	3
Multiple Medical Problems	2	2	1	5	3
Multiple Sclerosis	0	0	0	0	1
Muscle/Tissue	0	0	0	0	1
Neurology	0	1	0	1	6
Orthopedic	1	0	0	1	2
Other	0	0	1	1	1
Respiratory	0	0	1	1	0
TOTAL	6	4	4	14	21

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
Cancer	3	1	5	9	6
Cardiovascular	1	1	0	2	0
Diabetes	1	0	0	1	0
Eye Disorders	0	0	0	0	1
Mental Illness	3	1	2	6	13
Multiple Medical Problems	3	3	3	9	11
Multiple Sclerosis	0	3	0	3	1
Muscle/Tissue	1	0	2	3	6
Nephrology	0	1	1	2	3
Neurology	2	4	2	8	14
Orthopedic	2	5	2	9	11
Other	0	1	1	2	3
TOTAL	16	20	18	54	69

§ 40.63 Benefits Started

There were nine TR Board disability annuities started in the third quarter of 2021. Eight of these (89%) were for female claimants, and one (11%) was for a male claimant. In the third quarter of 2020, there were 13 disability annuities started: 69% for female claimants and 31% for male claimants.

Table 1.8 shows the breakdown of disability annuity options selected by new annuitants.

Table 1.8. TR Board disability annuities started by option selected

Option	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	2	1	1	4	7
Life Annuity with 60 Payments Guaranteed	0	0	0	0	0
For Annuitant's Life Only	0	0	1	1	1
Life Annuity with 180 Payments Guaranteed	0	3	1	4	5
75% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	2	4	3	9	13

There were 47 WR Board disability annuities started in the third quarter of 2021, compared to 64 disability annuities started in the same period in 2020. Disability annuities in this quarter were made up of 28 female annuitants (60%) and 19 male annuitants (40%). In 2020, new disability annuities were split between 28 female (44%) and 36 male (56%) annuitants.

Table 1.9 shows the breakdown of options selected by new WR Board disability annuitants.

Table 1.9. WR Board disability annuities started by option selected

Option	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	8	2	7	17	33
Life Annuity with 60 Payments Guaranteed	1	0	1	2	3
For Annuitant's Life Only	4	4	1	9	8
Life Annuity with 180 Payments Guaranteed	3	1	4	8	10
75% Continued to Named Survivor (Joint Survivor)	0	3	2	5	3
100% Continued to Named Survivor (Joint Survivor)	0	3	2	5	7
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	1	0	1	0
TOTAL	16	14	17	47	64

§ 40.65 Duty Disability

In the third quarter of 2021, four duty disability claims were approved, six were denied, and one duty disability claim was approved as a rescinded denial.

Duty disability benefits were started for three claimants in the third quarter of 2021, compared with nine claims started in the same period in 2020. Table 1.10 shows the breakdown of third quarter 2021 duty disability claims by disability type. None of the claims started in the third quarter of 2021 were approved under presumptive statutes. No duty disability death benefits were started during this period.

Table 1.10 Duty Disability benefits started by disability type

Disability Type	Jul	Aug	Sep	3 rd Qtr 2021	3 rd Qtr 2020
Cancer	0	0	0	0	1
Cardiovascular	0	0	0	0	1
Multiple Medical Problems	0	0	0	0	1
Musculoskeletal	1	1	1	3	4
Other	0	0	0	0	1
Psychiatric	0	0	0	0	1
TOTAL	1	1	1	3	9

LTDI

As noted above, the Long-Term Disability Insurance (LTDI) program was closed to new claims on January 1, 2018. At that time, there were 2,548 claimants receiving LTDI benefits.

Forty-three claims were closed in the third quarter of 2021, including nine deaths and one claim that was closed for failure to submit an annual medical recertification. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65. There were 1,730 open LTDI claims and 11 suspended LTDI claims at the end of the quarter.

Forty-four claims are expected to reach their maximum duration dates and be closed during the fourth quarter of 2021. The final LTDI claim is scheduled to reach its maximum duration of benefits on November 30, 2052, but could terminate prior to that date (e.g. death of claimant, failure to submit required documentation, exceeding earnings limit two times). Assuming all claims remain open until the date of their maximum duration, the number of

Benefit Services Bureau
2021 Third Quarter Disability Programs Update
November 11, 2021

open claims in 10 years will total 558, 92 in 20 years, and in 30 years there will be two open LTDI claims, based on their maximum duration date.