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Correspondence Memorandum

Date: February 25, 2022

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 2021 Disability Programs Update

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

Attached is the Wisconsin Retirement System (WRS) *2021 Fourth Quarter Disability Programs Update* for the period October 2021 through December 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 maintained its increased level this quarter after a year of relatively low application numbers. Last quarter was the first to show a return to pre-2020 levels, which may be indicative of a pandemic-related effect on claim filings. Future data will be reviewed to establish whether the increase is 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 Fourth Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services – Electronically Signed 3/2/22

Board	Mtg Date	Item #
JM	03.24.22	4E

Benefit Services Bureau

2021 Fourth Quarter Disability Programs Update



February 25, 2022

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 Fourth 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 October, November, and December 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 40.63 claims returned to more typical levels last quarter and seems to be holding steady. The number of active LTDI claims continued to decrease, while the number of 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 has just finished the 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 managed the annual Recertification Medical Report review, since the process was taken in-house from the Third Party Administrator in 2020.

Disability Benefit Payments

Table 1.1 shows the monthly totals of benefit payments made during the fourth 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 fourth quarter of 2020, disability annuity (40.63) benefit payments have increased by 5.0%, duty disability (40.65) totals decreased by 0.1%, and LTDI benefit payment totals decreased by 4.0%.

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

Program	Oct 2021	Nov 2021	Dec 2021	4 th Qtr 2021*	4 th Qtr 2020*
40.63	13,432,373	13,491,096	13,562,813	40,486,283	38,560,834
40.65	2,997,603	2,986,073	3,059,858	9,043,535	9,048,786
LTDI	2,764,489	2,738,395	2,723,654	8,226,538	8,573,733

*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 fourth quarter of 2021.

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Oct 2021	Nov 2021	Dec 2021
40.63	6,413	6,427	6,440
40.65	1,022	1,018	1,015
LTDI	1,727	1,712	1,703

§ 40.63 Disability Annuity

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

The number of estimates requested increased by 50.4%, compared to the fourth quarter of 2020, and the number of estimates completed increased by 46.7% compared to the same period in 2020.

Table 1.3. 40.63 estimates requested and completed 2020-2021

	Oct	Nov	Dec	4 th Quarter
2021 Disability Annuity Estimates Requested	65	73	41	179
2020 Disability Annuity Estimates Requested	36	46	37	119
2021 Disability Annuity Estimates Completed	67	64	45	176
2020 Disability Annuity Estimates Completed	35	49	36	120

The number of 40.63 disability annuity applications received in the fourth quarter of 2021 (88) is higher than the number received in the fourth quarter of 2020 (68), representing an increase of 29.4% from last year. While our data is insufficient to establish causality, Figure 1 suggests that the pandemic may have contributed to a drop in application volume late last year, as well as this year's return to more typical application volumes.

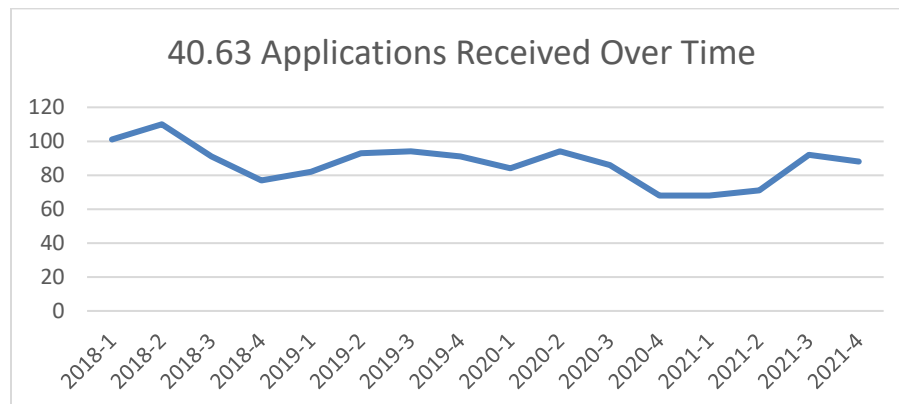


Figure 1. 40.63 Applications Received Since Program Reopening

§ 40.63 Benefit Determinations

There were 21 Teachers Retirement (TR) Board disability annuity claim determinations in the fourth quarter of 2021. Eighteen claims were approved, one was canceled, and two were denied. Additionally, there was one appealed claim that resulted in a rescinded denial in the fourth quarter. By comparison, there were 24 claim determinations for the same period in 2020, of which 21 were approved, two were canceled, and one was denied. This represents a decrease of 12.5% in TR claim determinations from the same period in 2020.

There were 56 Wisconsin Retirement (WR) Board disability annuity claim determinations in the fourth quarter of 2021. Forty-seven applications were approved, six were canceled, two were deemed approved, and one was denied. The number of claim determinations in the fourth quarter of 2021 represents a 14.3% increase from the 49 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 concentrated in the 51-60 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	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
31-35	0	0	0	0	0
36-40	0	1	0	1	0
41-45	1	0	1	2	2
46-50	1	1	2	4	4
51-55	0	2	4	6	9
56-60	3	1	4	8	4
61-65	0	0	0	0	5
TOTAL	5	5	11	21	24

Table 1.5. WR Board claim determinations by age

Age	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
31-35	0	0	0	0	0
36-40	0	2	2	4	2
41-45	1	1	1	3	8
46-50	4	3	4	11	2
51-55	4	4	6	14	16
56-60	7	3	5	15	9
61-65	3	4	2	9	12
TOTAL	19	17	20	56	49

Tables 1.6 and 1.7 show the breakdown of fourth quarter 2021 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (23.8%), neurology (23.8%), and mental illness (19.0%). WR Board claims consisted primarily of cancer (26.8%), multiple medical problems (17.9%), neurology (14.3%), and orthopedic (14.3%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
Cancer	1	1	1	3	9
Cardiovascular	0	0	0	0	1
Mental Illness	1	1	2	4	1
Multiple Medical Problems	0	0	5	5	6
Multiple Sclerosis	0	1	1	2	2
Muscle/Tissue	0	0	0	0	2
Neurology	2	1	2	5	1
Orthopedic	1	1	0	2	2
TOTAL	5	5	11	21	24

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
Cancer	6	4	5	15	4
Cardiovascular	0	0	0	0	4
Diabetes	0	0	0	0	1
Eye Disorders	0	1	0	1	0
Mental Illness	0	2	1	3	3
Multiple Medical Problems	3	4	3	10	12
Muscle/Tissue	1	0	3	4	3
Nephrology	0	0	1	1	2
Neurology	4	2	2	8	7
Orthopedic	3	2	3	8	9
Other	2	0	0	2	1
Respiratory	0	1	2	3	2
Unknown	0	1	0	1	1
TOTAL	19	17	20	56	49

§ 40.63 Benefits Started

There were nine TR Board disability annuities started in the fourth quarter of 2021. Six of these (67%) were for female claimants, and three (33%) were for male claimants. In the fourth quarter of 2020, there were 12 disability annuities started: 83% for female claimants and 17% 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	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	1	2	0	3	4
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	1
Life Annuity with 180 Payments Guaranteed	0	3	1	4	4
75% Continued to Named Survivor (Joint Survivor)	0	2	0	2	2
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	1
TOTAL	1	7	1	9	12

There were 55 WR Board disability annuities started in the fourth quarter of 2021, compared to 51 disability annuities started in the same period in 2020. Disability annuities in this quarter were made up of 37 female annuitants (67%) and 18 male annuitants (33%). In 2020, new disability annuities were split between 31 female (61%) and 20 male (39%) 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	Oct	Nov	Dec	4 th Qtr 2021	4 th Qtr 2020
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	8	3	8	19	24
Life Annuity with 60 Payments Guaranteed For Annuitant's Life Only	0	0	0	0	4
Life Annuity with 180 Payments Guaranteed	8	5	5	18	10
75% Continued to Named Survivor (Joint Survivor)	5	3	3	11	9
100% Continued to Named Survivor (Joint Survivor)	2	0	1	3	1
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	1	2	0	3	3
	0	0	1	1	0
TOTAL	24	13	18	55	51

§ 40.65 Duty Disability

In the fourth quarter of 2021, two duty disability claims were approved, three were denied, and two duty disability claims were approved as a rescinded denial.

Duty disability benefits were started for six claimants in the fourth quarter of 2021, compared with four claims started in the same period in 2020. Table 1.10 shows the breakdown of fourth quarter 2021 duty disability claims by disability type. Three of the claims started in the fourth quarter of 2021 were approved under the heart and lung presumptive statute. One duty disability death benefit was started during this period.

Table 1.10 Duty Disability benefits started by disability type

Disability Type	Oct	Nov	Dec	4 th Qtr 2021	4th Qtr 2020
Cardiovascular	1	1	1	3	0
Musculoskeletal	1	1	0	2	3
Neurological	0	0	0	0	1
Other	0	0	1	1	0
TOTAL	2	2	2	6	4

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.

Fifty-two claims were closed in the fourth quarter of 2021, including six deaths and two claims that were closed because their doctor certified that they were no longer disabled. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65. There were 1,682 open LTDI claims and 10 suspended LTDI claims at the end of the quarter.

Thirty claims are expected to reach their maximum duration dates and be closed during the first quarter of 2022. 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 open claims in 10 years will total 542, 88 in 20 years, and in 30 years there will be one open LTDI claim.