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## Correspondence Memorandum

**Date:** November 10, 2022

**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 2022 Disability Programs Update

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

Attached is the Wisconsin Retirement System (WRS) *2022 Third Quarter Disability Programs Update* for the period July 2022 through September 2022. 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 active Long-Term Disability Insurance (LTDI) claims continued to decrease; however, the effect of the LTDI annual salary adjustment can be seen on the LTDI benefit payment totals in the second quarter of 2022.

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](mailto:jim.guidry@etf.wi.gov) if you have comments or questions.

Staff will be at the Board meeting to answer any questions.

Attachment: 2022 Third Quarter Disability Programs Update

Reviewed and approved by Matt Stohr, Administrator, Div. of Retirement Services  
Electronically Signed 11/15/22

Board	Mtg Date	Item #
JM	12.08.22	4D

***Benefit Services Bureau***

***2022 Third Quarter Disability Programs Update***



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## 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 *2022 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 2022. 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 continued to decrease, while the number of 40.63 claims remained largely stable. The number of 40.65 claims has decreased slightly over the past year. 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 (Section) is in the process of reviewing more than 100 annual medical recertification forms for recipients of LTDI and 40.63 benefits. In addition, the Section has been working on completing the 2021 Tax Return and Income Statement reviews. Last quarter, a mailing was sent to request the 2021 Tax Returns and Income Statements for nearly 1,000 recipients of 40.65 benefits. The review of tax returns and/or income statements is required annually from recipients of 40.65 disability benefits to ensure that benefits were paid correctly for the prior year. The review takes a significant amount of staff time to complete and audit.

## Disability Benefit Payments

Table 1.1 shows the total amount of benefit payments made during the third quarter of 2022 and the four prior quarterly totals for the 40.63, 40.65, and LTDI programs. Table 1.2 shows the total number of active claimants at the end of each quarter by program. The number of active LTDI claimants continues to decline due to the closure of the program to new claims in January 2018. However, the annual LTDI salary adjustment occurred in the second quarter of 2022 resulting in an increase in benefit payments from the previous quarter.

Compared to the third quarter of 2021, disability annuity (40.63) benefit payments have increased by 8.5%, duty disability (40.65) totals increased by 0.2%, and LTDI benefit payment totals decreased by 3.3%.

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

Program	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022
40.63	40,451,802	40,486,283	40,584,349	42,787,531	43,873,070
40.65	9,152,302	9,043,535	9,547,622	9,508,952	9,173,124
LTDI	8,427,929	8,226,538	8,031,582	8,226,199	8,148,105

At the beginning of 2022, there were 6,440 disability annuitants, 1,015 claimants receiving duty disability, and 1,703 claimants receiving LTDI benefits. Table 1.2 shows the number of active claimants receiving 40.63, 40.65, and LTDI benefits at the end of the third quarter of 2022, as well as the prior four quarters.

Table 1.2. 40.63, 40.65, and LTDI active claimants at the end of the last four quarters

Program	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022
40.63	6,416	6,440	6,429	6,429	6,434
40.65	1,023	1,015	1,011	1,009	1,011
LTDI	1,739	1,703	1,654	1,612	1,551

### § 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the third quarters of 2021 and 2022.

The number of estimates requested decreased by 6.7%, compared to the third quarter of 2021, and the number of estimates completed increased by 2.8% compared to the same period in 2021.

Table 1.3. 40.63 estimates requested and completed 2021-2022

	Jul	Aug	Sep	3 <sup>rd</sup> Quarter
2022 Disability Annuity Estimates Requested	45	55	40	140
2021 Disability Annuity Estimates Requested	30	66	54	150
2022 Disability Annuity Estimates Completed	61	55	33	149
2021 Disability Annuity Estimates Completed	32	62	51	145

The number of 40.63 disability annuity applications received in the third quarter of 2022 (75) is less than the number received in the third quarter of 2021 (92), a decrease of 18.5% from last year.

### § 40.63 Benefit Determinations

There were 16 Teachers Retirement (TR) Board disability annuity claim determinations in the third quarter of 2022. Fifteen claims were approved, and one was canceled. By

comparison, there were 14 claim determinations for the same period in 2021, of which 13 were approved and one was canceled. This represents an increase of 6.7% in TR claim determinations from the same period in 2021.

There were 70 Wisconsin Retirement (WR) Board disability annuity claim determinations in the third quarter of 2022. Sixty-two applications were approved, five were canceled, and three were denied. The number of claim determinations in the third quarter of 2022 represents a 29.6% increase from the 54 WR Board disability annuity claim determinations in the same period in 2021.

Tables 1.4 and 1.5 show the breakdown of disability annuity claim determinations by age. This quarter, the number of TR Board claims are concentrated around the ages of 51-65. The WR Board claims are spread evenly across the 46-65 age ranges.

Table 1.4. TR Board claim determinations by age

Age	Jul	Aug	Sep	3 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
41-45	1	0	0	1	3
46-50	0	1	0	1	3
51-55	4	0	1	5	2
56-60	2	1	0	3	4
61-65	3	2	1	6	2
<b>TOTAL</b>	<b>10</b>	<b>4</b>	<b>2</b>	<b>16</b>	<b>14</b>

Table 1.5. WR Board claim determinations by age

Age	Jul	Aug	Sep	3 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
31-35	2	1	0	3	1
36-40	1	0	2	3	1
41-45	3	0	3	6	4
46-50	4	7	3	14	7
51-55	4	6	5	15	18
56-60	5	7	5	17	14
61-65	3	5	4	12	9
<b>TOTAL</b>	<b>22</b>	<b>26</b>	<b>22</b>	<b>70</b>	<b>54</b>

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Tables 1.6 and 1.7 show the breakdown of third quarter 2022 disability annuity claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (31.3%), neurology (18.8%), and cancer (18.8%). WR Board claims consisted primarily of multiple medical problems (27.1%), neurology (22.9%), and cancer (15.7%).

Table 1.6 TR Board disability annuity claim determinations by disability type

Disability Type	Jul	Aug	Sep	3 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
Brain Injury	0	0	0	0	1
Cancer	3	0	0	3	3
Eye Disorders	1	0	0	1	0
Mental Illness	0	1	0	1	1
Multiple Medical Problems	3	0	2	5	5
Nephrology	1	0	0	1	0
Neurology	0	3	0	3	1
Orthopedic	1	0	0	1	1
Other	1	0	0	1	1
Respiratory	0	0	0	0	1
<b>TOTAL</b>	<b>10</b>	<b>4</b>	<b>2</b>	<b>16</b>	<b>14</b>

Table 1.7 WR Board disability annuity claim determinations by disability type

Disability Type	Jul	Aug	Sep	3 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
Cancer	3	4	4	11	9
Cardiovascular	0	0	0	0	2
Chronic Fatigue	0	1	1	2	0
Diabetes	0	0	0	0	1
Gastro/Intestinal	0	1	0	1	0
Mental Illness	2	1	4	7	6
Multiple Medical Problems	7	7	5	19	9
Multiple Sclerosis	1	0	0	1	3
Muscle/Tissue	0	1	1	2	3
Nephrology	0	0	0	0	2
Neurology	9	4	3	16	8
Orthopedic	0	5	2	7	9
Other	0	1	0	1	2
Respiratory	0	1	2	3	0
<b>TOTAL</b>	<b>22</b>	<b>26</b>	<b>22</b>	<b>70</b>	<b>54</b>

### § 40.63 Benefits Started

There were 17 TR Board disability annuities started in the third quarter of 2022. Fifteen of these (88%) were for female claimants, and 2 (12%) were for male claimants. In the third quarter of 2021, there were nine disability annuities started: 89% for female claimants and 11% 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 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	4	1	0	5	4
Life Annuity with 60 Payments Guaranteed	1	0	0	1	0
For Annuitant's Life Only	0	0	2	2	1
Life Annuity with 180 Payments Guaranteed	2	0	1	3	4
75% Continued to Named Survivor (Joint Survivor)	0	0	1	1	0
100% Continued to Named Survivor (Joint Survivor)	2	0	2	4	0
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	1	1	0
<b>TOTAL</b>	<b>9</b>	<b>1</b>	<b>7</b>	<b>17</b>	<b>9</b>

There were 61 WR Board disability annuities started in the third quarter of 2022, compared to 47 disability annuities started in the same period in 2021. Disability annuities in this quarter were made up of 39 female annuitants (64%) and 22 male annuitants (36%). In the third quarter of 2021, new disability annuities were split between 28 female (60%) and 19 male (40%) 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 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	12	8	4	24	17
Life Annuity with 60 Payments Guaranteed	3	2	0	5	2
For Annuitant's Life Only	5	4	2	11	9
Life Annuity with 180 Payments Guaranteed	2	3	4	9	8
75% Continued to Named Survivor (Joint Survivor)	1	0	0	1	5
100% Continued to Named Survivor (Joint Survivor)	2	1	7	10	5
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	1	1	1
<b>TOTAL</b>	<b>25</b>	<b>18</b>	<b>18</b>	<b>61</b>	<b>47</b>

### § 40.65 Duty Disability

In the third quarter of 2022, six duty disability claims were approved, and one was denied.

Duty disability benefits were started for six claimants in the third quarter of 2022, compared with three claims started in the same period in 2021. Table 1.10 shows the breakdown of third quarter 2022 duty disability claims by disability type. None of the claims started in the third quarter of 2022 was approved under the heart and lung presumptive statute. 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 <sup>rd</sup> Qtr 2022	3 <sup>rd</sup> Qtr 2021
Musculoskeletal	1	1	0	2	3
Neurological	3	0	0	3	0
Psychiatric	1	0	0	1	0
<b>TOTAL</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>3</b>

### 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-two claims were closed in the third quarter of 2022, including: six deaths, one claim that was closed for failure to submit an annual medical report, and one claim that was closed because the recipient exceeded the earnings limit a second time. The remaining claim closures were due to claimants reaching the maximum duration of their benefits, usually when they reach age 65.

Thirty-nine claims are expected to reach their maximum duration dates and be closed during the fourth 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 493, 68 in 20 years, and in 30 years there will be one open LTDI claim.