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Correspondence Memorandum

Date: May 24, 2019

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

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

Subject: January – March 2019 Quarterly Disability Annuity Statistics

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

Attached is the Wisconsin Retirement System (WRS) *2019 First Quarter Disability Benefit Statistical Report* for the period January 2019 through March 2019. 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: 2019 First Quarter Disability Statistical Report

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

Electronically Signed 6/5/19

Board	Mtg Date	Item #
JM	6.20.19	4C

Benefit Services Bureau

2019 First Quarter Disability Benefit Statistical Report



May 24, 2019

Introduction

The Department of Employee Trust Funds reviews and approves disability claims and provides quarterly reports to the appropriate board. The *2019 First 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 January, February, and March 2019. 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 held steady this quarter, and the number of active 40.65 claims remained stable as well. With the reopening of the 40.63 program in 2018, the number of open 40.63 claims should 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 each year.

The Disability Programs Section (DPS) continues to work 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. All LTDI claims that were pending at the time the program was closed have been processed.

ETF assumed the payment of LTDI claims on February 1, 2018, and disability program staff now handle all LTDI-specific administrative functions. The Hartford will continue to perform annual mailings and 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 Income Continuation Insurance (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 included. On May 9, 2019, the Joint Committee on Finance removed the ICI oversight changes as part of their omnibus budget motion. ETF continues to evaluate legislative options for the ICI redesign effort, including the current budget process.

Disability Benefit Payments

Table 1.1 shows the monthly totals of benefit payments made during the first quarter of 2019 for the 40.63, 40.65, and LTDI programs.

Disability annuity (40.63) benefit payment totals increased 4.4% when compared to first quarter 2018 totals (\$35.0 million). Duty disability (40.65) totals increased by 0.58% compared to first quarter 2018 (\$8.98 million). LTDI benefit payment totals decreased 4.0% compared to the same period in 2018 (\$10.7 million).

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

Program	Jan 2019	Feb 2019	Mar 2019	1st Qtr 2019*
40.63	12,162,252	12,227,472	12,138,035	36,527,759
40.65	2,970,908	3,043,629	3,021,375	9,035,911
LTDI	3,476,720	3,417,253	3,335,444	10,229,417

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

At the beginning of 2019, there were 6,302 disability annuitants, 1,024 claimants receiving duty disability, and 2,290 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. The downward trend has leveled out, and new active claims are expected to outpace closures 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 first quarter 2019.

Table 1.2. 40.63, 40.65, and LTDI active claimants

Program	Jan 2019	Feb 2019	Mar 2019
40.63	6,302	6,308	6,298
40.65	1,024	1,026	1,025
LTDI	2,290	2,270	2,252

§ 40.63 Disability Annuity

Table 1.3 shows the number of 40.63 disability annuity estimates requested and completed in the first quarter of 2018 and 2019.

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 28.0% compared to the first quarter of 2018, and the number of estimates completed decreased by 26.7% compared to the same period in 2018. In spite of these decreases, the 2019 estimates still represent a 209% (for requested) and a 202% (for completed) increase from 2017 when fewer participants were eligible for the program.

Table 1.3. 40.63 estimates requested and completed 2018-2019

	Jan	Feb	Mar	1 st Quarter
2019 Disability Estimates Requested	67	46	67	180
2018 Disability Estimates Requested	99	75	76	250
2019 Disability Estimates Completed	63	46	69	178
2018 Disability Estimates Completed	99	76	68	243

In 2017, prior to the closure of LTDI and the reopening of 40.63, there were 89 new applications for the 40.63 program. In 2018, there were 350 applications received, representing a 293% increase in application volume. The number of applications received in the first quarter of 2019 has declined from 2018 (51 applications received in the first quarter of 2019 vs. 109 applications received in the first quarter of 2018). Given the initial rush of 40.63 applications in the first quarter of 2018 it will take a few more review periods to determine if the current period's level of activity represents is an accurate reflection of what to expect in future quarters.

§ 40.63 Benefit Determinations

There were 14 TR Board disability claim determinations in the first quarter of 2019. All 14 of those claims were approved. By comparison, there were 18 claim determinations for the same period in 2018. Fourteen claims were approved, one was cancelled, two were denied and one had its denial rescinded. This represents a 22.2% decrease in TR claim determinations for the same period in 2018.

There were 67 WR Board disability claim determinations in the first quarter of 2019. Forty-eight applications were approved, ten were cancelled, one was deemed approved, and eight applications were denied. The number of claim determinations in the first quarter of 2019

represents a 42.6% increase over the 47 WR Board disability claim determinations in the same period in 2018.

Tables 1.4 and 1.5 show the breakdown of disability claim determinations by age. The greatest number of claims are concentrated in the 46-60 age range. This is a shift from previous years where claims were in the 51-60 age range. The change reflects that claims are extending into younger age ranges now that the program is available to all eligible employees.

Table 1.4. TR Board claim determinations by age

Age	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
36-40	0	0	0	0	3
41-45	1	0	3	4	2
46-50	1	2	0	3	5
51-55	2	0	2	4	6
56-60	0	1	1	2	1
61-65	0	1	0	1	1
TOTAL	4	4	6	14	18

Table 1.5. WR Board claim determinations by age

Age	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
31-35	0	0	0	0	3
36-40	1	1	2	4	3
41-45	4	2	1	7	3
46-50	6	5	5	16	5
51-55	6	5	2	13	14
56-60	8	5	6	19	14
61-65	1	2	5	8	5
TOTAL	26	20	21	67	47

Tables 1.6 and 1.7 show the breakdown of first quarter 2019 disability claim determinations by disability type. TR Board claim disability types consisted primarily of multiple medical problems (21%), neurology (21%), and cancer (21%). WR Board claims consisted primarily of multiple medical problems (28%), orthopedic (19%) and cancer (15%).

Table 1.6 TR Board disability claim determinations by disability type

Disability Type	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
Cancer	1	1	1	3	4
Cardiovascular	0	0	0	0	1
Mental Illness	1	0	0	1	2
Multiple Medical Problems	0	0	3	3	3
Multiple Sclerosis	1	0	0	1	1
Muscle/Tissue	0	1	0	1	1
Neurology	0	2	1	3	5
Orthopedic	1	0	1	2	0
Other	0	0	0	0	1
TOTAL	4	4	6	14	18

Table 1.7 WR Board disability claim determinations by disability type

Disability Type	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
Cancer	4	4	2	10	7
Cardiovascular	1	0	4	5	1
Diabetes	0	1	0	1	0
Mental Illness	3	1	2	6	6
Multiple Medical Problems	5	8	6	19	8
Multiple Sclerosis	0	0	0	0	2
Muscle/Tissue	1	0	2	3	3
Nephrology	0	0	1	1	1
Neurology	3	2	1	6	11
Orthopedic	7	3	3	13	7
Other	0	1	0	1	1
Respiratory	1	0	0	1	0
Unknown	1	0	0	1	0
TOTAL	17	15	17	67	47

§ 40.63 Benefits Started

There were five Teachers Retirement (TR) Board annuities started in the first quarter of 2019. three of these (60%) were for female claimants, and two (40%) were for males. In the first quarter of 2018, 10 TR Board annuities were started, 60% for female claimants and 40% for male claimants.

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

Table 1.8. TR Board annuities started by option selected

Option	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	0	1	1	2	5
Life Annuity with 60 Payments Guaranteed	1	0	0	1	1
For Annuitant's Life Only	1	0	0	1	1
Life Annuity with 180 Payments Guaranteed	0	0	0	0	1
75% Continued to Named Survivor (Joint Survivor)	0	1	0	1	0
100% Continued to Named Survivor (Joint Survivor)	0	0	0	0	2
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	0	0	0	0	0
TOTAL	2	2	1	5	10

There were 43 Wisconsin Retirement (WR) Board annuities started in the first quarter of 2019, compared to 26 WR Board annuities started in the same period in 2018. WR Board annuities in this quarter were made up of 27 female annuitants (63%) and 16 male annuitants (37%). In 2018, new WR Board annuities were split between 16 female (62%) and 10 male (38%) annuitants.

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

Table 1.9. WR Board annuities started by option selected

Option	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
100% Continued to Named Survivor (Joint Survivor) with 180 Payments Guaranteed	7	2	5	14	9
Life Annuity with 60 Payments Guaranteed	0	0	0	0	1
For Annuitant's Life Only	3	1	2	6	4
Life Annuity with 180 Payments Guaranteed	10	2	3	15	5
75% Continued to Named Survivor (Joint Survivor)	3	0	0	3	1
100% Continued to Named Survivor (Joint Survivor)	3	0	1	4	5
75% Continued to Annuitant or Named Survivor (Joint Survivor) Upon Death of Either	1	0	0	1	1
TOTAL	27	5	11	43	26

§ 40.65 Duty Disability

In the first quarter of 2019, eight duty disability claims were approved and five duty disability claims were denied.

Duty disability benefits were started for four claimants in the first quarter of 2019, compared with 11 claims started in the same period in 2018. Table 1.10 shows the breakdown of first quarter 2019 duty disability claims by disability type. None of the claims started in the first quarter of 2019 were approved under the presumptive statutes, and no duty disability death benefits were started during this period.

Table 1.10 Duty Disability benefits started by disability type

Disability Type	Jan	Feb	Mar	1 st Qtr 2019	1 st Qtr 2018
Cancer	0	0	0	0	2
Mental Illness	0	0	0	0	1
Musculoskeletal	1	2	0	3	7
Neurological	0	1	0	1	1
TOTAL	1	3	0	4	11

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-six claims were closed in the first quarter of 2019, including nine deaths, and one failure to submit necessary documentation. There were 2,235 open LTDI claims and 12 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 second quarter of 2019.