

LONG-TERM DISABILITY INSURANCE



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General Information

What is a Long-Term Disability Insurance (LTDI) Benefit?

Note: This program was closed to new claims January 1, 2018. However, current LTDI recipients will continue to receive benefits under program rules. This brochure outlines duration of benefits, offsets and annual requirements for current recipients.

LTDI is a disability insurance benefit under the Wisconsin Retirement System that is meant to provide an income to members who have become totally and permanently disabled. The LTDI benefit is administered by the Department of Employee Trust Funds.

Duration of Benefits

Duration of Benefits

Generally, LTDI benefits are payable only through the end of the month in which you reach age 65. However, if you were age 61 or older on the date your LTDI benefit became effective, your LTDI benefits may be payable longer.

Your age on LTDI Effective Date	LTDI Benefit Ends
Before age 61	End of month in which you reach age 65
Age 61 or 62	End of month in which you reach age 66
Age 63 or 64	End of month in which you reach age 67
Age 65 or 66	End of month in which you reach age 68
Age 67	End of month in which you reach age 69
Age 68	End of month in which you reach age 70
Age 69 or older	12 months after LTDI benefit effective date

Benefit Information

How Your Benefit was Calculated

In most cases, your monthly LTDI benefit is 40% of your final average salary (FAS). However, if you were not eligible for Social Security benefits based on all of your employment, your LTDI benefit will be 50% of your FAS.

Annual Benefit Adjustment

Your monthly LTDI benefit payment is adjusted annually based on the performance of the WRS Core Trust Fund. The adjustment can be positive or negative, but your gross payment will never be lower than your original benefit amount. The same adjustments are made to monthly retirement annuities. This adjustment will appear on your check dated May 1.

Taxes on Benefits

LTDI benefits are taxable since you did not pay premiums for long-term disability insurance coverage. However, you may qualify for the IRS Disability Income Tax Credit.

For more information on federal income taxes and the tax status of your LTDI benefits, contact the Internal Revenue Service at www.irs.gov and request Publication 524, *Credit for the Elderly or the Disabled*.

Supplemental Contributions

In addition to your monthly LTDI benefits, a supplemental contribution of 7% of your FAS may be paid into your WRS retirement account for each month that you are eligible for LTDI benefits. These supplemental contributions increase the value of your WRS account.

You are eligible for supplemental contributions if:

- your LTDI benefits are not terminated or suspended,
- you are not earning WRS creditable service,
- you have not taken a separation or retirement benefit and
- you have not been approved for Duty Disability benefits.

Supplemental Contribution Calculation Example:

$\$3,800 \text{ (FAS)} \times 7\% = \266 per month

$\$266 \times 12 \text{ months} = \$3,192 \text{ per year}$

Annual Requirements

Earnings Statement

Each year you will be required to complete a *Statement of Annual Earnings for Disability Annuitants*. “Earnings” means wages and/or salary received for providing a personal service, including service performed on a contractual basis or self employment.

- You must complete and return the statement whether or not you received earnings.
- Failure to complete and return the form by the required due date or providing incorrect information may cause your benefit to be suspended or terminated.
- If you have returned to work or are self employed, you will be required to report the amount of earnings, employer(s) name and occupation for each calendar month you received earnings.

Medical Recertification

If you are approved for the LTDI benefit, you may be required to provide annual medical evidence that you continue to be disabled. Annual medical recertification may continue for as long as you are eligible to receive monthly LTDI payments.

- Your last examination date must be within 12 months of the date the physician signs the *Recertification Medical Report*.
- It is extremely important that you complete the recertification process in a timely manner to remain eligible to receive the monthly benefit.
- If you are approved for Social Security Disability (SSDI) benefits, the LTDI annual medical recertification requirement *may* be waived. Therefore you should send ETF a copy of your SSDI award letter, once available.

Receiving Benefits While Working for a WRS Employer

If, after you begin receiving LTDI benefits, you return to work for a WRS employer and are eligible to be covered under the WRS again, you will be covered as an active, participating employee. Your employer will report your earnings and service to ETF.

The earnings and service will be credited to your WRS account based on your active employment. You will not be eligible for the LTDI supplemental contributions for any month in which you earn creditable WRS service.

You must inform ETF immediately of any employment (see the back cover for contact information). You must also inform your WRS employer if you are receiving a monthly benefit from the LTDI program.

Suspension or Termination of Benefits

No Longer Meet Disability Definition

If we receive your annual medical recertification and your physician indicates that you are able to perform the duties of any occupation for which the annual compensation would exceed the earnings limitation, your LTDI benefit will be terminated.

Exceeding the Annual Earnings Limit

Each year you will be required to certify your earnings from all employment with the annual earnings statement. If, in a calendar year, you earn more than the statutory earnings limit amount, you are required to notify ETF immediately.

- The first time you reach your earnings limit, your LTDI benefit will be suspended effective the first of the month in which you exceeded the annual earnings limit. If your benefit is suspended, we will advise you of when your benefit can resume.
- The second time you reach your earnings limit, your LTDI benefit will be terminated. See Special Provisions for Protective Occupation Employees below for exceptions.

Please visit www.etf.wi.gov for the current annual earnings limit amount.

Special Provisions for Protective Occupation Employees:

If you are a protective occupation employee who was approved for LTDI benefits because you could no longer perform the duties of your protective occupation position, your benefits will be terminated immediately upon re-employment in a law enforcement or firefighting position.

If you are employed in a position other than law enforcement or firefighting, your LTDI benefits will be suspended, but not terminated, if you earn more than the earnings limit.

Death

LTDI benefits are payable only through the date of your death; the LTDI program has no death benefit. However, upon your death, a benefit may be payable from your WRS retirement account.

- If your WRS employment status is **active (you have not terminated WRS employment)**, the death benefit will include your entire WRS account balance, including any LTDI supplemental contributions.
- If your WRS employment status is **inactive (you have terminated WRS employment)**, the death benefit will include only your employee-required contributions, additional contributions (if any) and any LTDI supplemental contributions. Your employer-required contributions are not payable.
- If your monthly retirement benefit has already begun, any death benefit will be based on the annuity option that you selected.
- If you closed your WRS account by taking a lump sum or separation benefit, there would be no death benefit available. See the [Death Benefits \(ET-6101\) brochure](#), available online at etf.wi.gov or from ETF.

WRS Retirement and Separation Benefit Offsets

LTDI benefit recipients may apply for WRS retirement or separation benefits. However, if you do:

- Your LTDI benefit will be offset (reduced) by the taxable portion of your WRS benefit if paid while you continue to receive LTDI benefits.
- Payment of the LTDI supplemental contributions into your WRS account will end.

Retirement Benefits

You are not required to apply for WRS benefits prior to your normal retirement age or age 62, whichever is *later*.

Normal retirement age is:

- General Employees and Teachers: age 65
- Elected officials and state executive retirement plan employees with a WRS begin date *before* January 1, 2017: age 62
- Protective Occupation Employees with less than 25 years of service: age 54
- Protective Occupation Employees with at least 25 years of service: age 53

Approximately four months before reaching your normal retirement age (or age 62, if later), you will receive a notice from ETF to apply for your WRS retirement benefit if you have not already done so.

If you choose not to apply, your monthly LTDI benefits will be reduced by the taxable amount of the highest retirement annuity you would be eligible to receive as though you had applied.

Retirement Effective Date

When applying for your retirement benefit, it is often beneficial to choose the retirement annuity effective date that is the first of the month after you reach your normal retirement age. This would maximize the supplemental contributions paid into your retirement account and avoid unnecessary overpayments due to duplication of benefits.

However, in some cases, it is in your best interest to apply for retirement benefits early. Examples include:

- Your retirement benefit will be greater than an amount you would receive under LTDI.
- You have a terminal illness, have terminated WRS employment and wish to leave a higher death benefit to your beneficiaries.

Separation Benefits

If you are not vested in your WRS account when you reach your normal retirement age or age 62, whichever is later, you will be instructed to apply for a separation benefit.

Offset Calculation Examples

If you are receiving a monthly retirement benefit, your LTDI will be reduced by the taxable portion of the retirement annuity option you select.

Example—Monthly Benefits:

- Your LTDI benefit is \$1,000/month. You chose a retirement annuity option that pays \$800/month (\$20 is non-taxable).
- Your LTDI benefit would be reduced by \$780/month (the taxable portion of your retirement benefit).
- Your LTDI benefit will now be \$220/month. (\$1,000 minus \$780/month = \$220/month in LTDI benefits).

If the taxable portion of your retirement benefit exceeds your LTDI benefit amount, you will no longer receive any monthly LTDI payments.

If you receive a lump-sum payment (either a lump-sum retirement or a separation benefit), your LTDI benefit will be reduced to \$0 until the taxable portion of your lump-sum payment has been recovered. **Note:** this does not apply if you authorize a direct roll over of the entire taxable balance of your WRS account.

Example—Lump-sum Benefit:

- You receive a lump-sum payment of \$10,000 that is fully taxable.
- Your LTDI benefit is \$1,000/month. You will not receive an LTDI benefit for 10 months. (\$10,000 divided by \$1,000/month = 10 months)

Definitions

Disability—the inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or to be of a long-continued and indefinite duration. (See definition of “medically determinable impairment” below.)

Earnings limit—the maximum amount of money you can make in a year without affecting your LTDI benefit. This amount changes each year. Visit etf.wi.gov for the current year’s earnings limit.

Final Average Salary (FAS)—the total amount of earnings you received during your three highest annual earnings periods, divided by 36 months. The FAS calculation is different for participants who did not meet the LTDI service requirement but were eligible because their disability is work-related.

Medically determinable impairment—an impairment that has medically demonstrable anatomical, physiological or psychological abnormalities. The described abnormalities are medically determinable if they manifest themselves as signs or laboratory findings apart from symptoms that are not medically determinable.

Protective Occupation Participant—any WRS member whose duties include active law enforcement, or active fire suppression or prevention, with frequent exposure to danger, and requiring a high degree of physical conditioning (examples: firefighter, police officer, correctional officer).

Substantial Gainful Activity—any work for which the compensation will exceed the earnings limit.

Contact ETF



etf.wi.gov

Find ETF-administered benefits information, forms, brochures, benefit calculators, educational offerings and other online resources. Stay connected with:

✉ ETF E-Mail Updates

🐦 @wi_etf



1-877-533-5020

7:00 a.m. to 5:00 p.m. (CST), Monday-Friday

Benefit specialists are available to answer questions.

Wisconsin Relay: 711



P.O. Box 7931

Madison, WI 53707-7931

Write ETF or return forms.

