



State of Wisconsin
 Department of Employee Trust Funds
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 SECRETARY

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Correspondence Memorandum

Date: May 26, 2016
To: Employee Trust Funds Board
From: Bob C. Willett, CPA
 Chief Trust Finance Officer
Subject: January 1, 2016 Duty Disability Actuarial Valuation

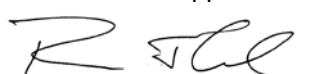
Staff requests the Employee Trust Funds Board (Board) approve the Duty Disability Plan Actuarial Review as of January 1, 2016 and the 2017 Contribution Rate Tiers.

Milliman, Inc. has completed the January 1, 2016 actuarial valuation of the Duty Disability program. The results of the valuation are as follows (millions \$):

	2015	2016
Actuarial Accrued Liability		
Active Employees	\$ 95	\$ 104
Disabled and Survivors	<u>353</u>	<u>419</u>
Total	448	523
Actuarial Value of Assets	<u>593</u>	<u>604</u>
Unfunded Actuarial Accrued Liability	(145)	(81)
Funded Ratio	132%	115%
Annual Required Contribution	\$3.3	\$8.1

Plan funding decreased slightly from 132% to 115% in the last year. This was the result of lower-than-assumed investment returns and a change in mortality assumptions, which increased projected liabilities. At 115% funded, the plan remains in excellent financial condition.

Duty Disability contribution rates are based on an experience-rated tier schedule. Annually, an actuarial rate adjustment is applied to every tier in the schedule. While the

Reviewed and approved by Robert J. Conlin, Secretary

 Electronically Signed 6/7/16

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contribution rate tier structure remains constant, the actual contribution rates for each tier are adjusted to meet the plan's current funding needs.

The increased plan liabilities result in the 2017 actuarially-recommended Annual Required Contribution to be increased from \$3.269 million in 2016 to \$8.089 million. Each experience tier Base Contribution Rate will be reduced by 20% to match this contribution target. The contribution rate schedule for 2017 is shown below.

Tier	Base Contribution Rate	Actuarial Adjustment Rate	2017 Contribution Rate	2016 Contribution Rate	# of Employers
1	0.25%	(0.05%)	0.20%	0.09%	415
2	0.50%	(0.10%)	0.40%	0.18%	43
3	1.00%	(0.20%)	0.80%	0.35%	29
4	1.75%	(0.35%)	1.40%	0.61%	9
5	2.75%	(0.55%)	2.20%	0.96%	9
6	4.00%	(0.80%)	3.20%	1.40%	1
7	5.50%	(1.10%)	4.40%	1.93%	2
8	6.60%	(1.32%)	5.28%	2.31%	2

Dan Skwire from Milliman will be at the Board meeting to discuss this report and answer any questions.

Attachment: Duty Disability Expense and Liability Calculations Under GASB Statement 43