



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
 Robert J. Conlin  
 SECRETARY

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**Correspondence Memorandum**

**Date:** May 19, 2020  
**To:** Employee Trust Funds Board  
**From:** Cindy Klimke-Armatoski, CPA  
 Chief Trust Finance Officer  
**Subject:** December 31, 2019 Duty Disability Actuarial Valuation

**ETF requests the Employee Trust Funds Board (Board) approve the Duty Disability Insurance Program Actuarial Valuation as of December 31, 2019 and set 2021 contribution rates the same as 2020 rates.**

Milliman has completed the December 31, 2019 actuarial valuation of the Duty Disability Insurance Program. The results of the valuation are as follows:

	<b>2018</b>	<b>2019</b>
Actuarial Liability	\$454,585,247	\$466,322,061
Reserve Balance	\$641,995,178	\$659,005,799
Surplus / (Deficit)	\$187,409,931	\$192,683,738
Funded Ratio	141%	141%

The program continues to be in a healthy financial position with the funding level above the 125% to 135% target range, per the Board's policy. Both the actuarial liability and reserve balance increased from prior year, resulting in no change in the funded ratio between years.

Duty Disability contribution rates are based on an experience-rated tier schedule. While the base contribution rate tier structure remains constant, the actual contribution rates for each tier are adjusted to meet the plan's current funding needs.

Based on the actuarial valuation, ETF recommends no change to 2021 contribution rates from the 2020 rates. The baseline scenario included in the actuarial valuation report projects the funds' surplus as a percentage of the actuarial liability would remain above the target range.

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 6/3/20

Board	Mtg Date	Item #
ETF	6.18.20	5C

The report also presents two other scenarios. Scenario one shows a financial projection if rates were waived in 2021 and beyond. Scenario two demonstrates the importance of investment income and shows a financial projection if a negative 18% return is experienced this year. Under this scenario, the surplus decreases significantly and quickly. Given the current pandemic and increased market volatility and uncertainty, Milliman and ETF staff do not recommend a contribution holiday.

The following table shows the current 2020 rates.

<b>Tier</b>	<b>Base Contribution Rate</b>	<b>Actuarial Adjustment Rate</b>	<b>2020 Contribution Rate</b>	<b># of Employers</b>
1	0.25%	-0.17%	0.09%	422
2	0.50%	-0.33%	0.17%	42
3	1.00%	-0.66%	0.34%	25
4	1.75%	-1.16%	0.60%	10
5	2.75%	-1.82%	0.94%	6
6	4.00%	-2.64%	1.36%	3
7	5.50%	-3.63%	1.87%	2
8	6.60%	-4.36%	2.24%	2

As noted in the actuarial valuation report, these projections are based on several assumptions. It is nearly certain that actual experience will vary from these assumptions and the resulting funded ratio will be different than what has been projected.

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

Attachment: Actuarial Valuation of The Duty Disability Insurance Program as of  
December 31, 2019