

Actuarial Valuation of the State of Wisconsin Duty Disability Program

As of December 31, 2022

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Duty Disability Liabilities As of December 31, 2022

Liability Component	Estimated Liability
Open Claims	\$481,530,420
Future Survivors	\$34,830,670
IBNR Claims	\$29,686,049
Loss Adjustment Expenses	\$10,968,617
Overpayment Recovery	\$(251,942)
Total	\$556,763,814

- 1,013 open claims as of December 31, 2022
 - 958 disabled members
 - 55 survivors (spouses and domestic partners)

Duty Disability Liabilities Comparison to Prior Year

Liability Component	12/31/2021	12/31/2022
Open Claims	\$459,788,617	\$481,530,420
Future Survivors	\$26,056,203	\$34,830,670
IBNR Claims	\$27,607,638	\$29,686,049
Loss Adjustment Expenses	\$10,307,749	\$10,968,617
Overpayment Recovery	NA	\$(251,942)
Total	\$523,760,207	\$556,763,814

The number of open claims decreased from 1,021 as of 12/31/2021 to 1,013 as of 12/31/2022.

Benefits increased by 8.9% (national wage index) or 7.4% (core annuity index) on 1/1/2023. New valuation assumptions based on experience studies performed in 2023.

- Large impact on estimated liability for future survivors.
- New Overpayment Recovery component.

Duty Disability Funding Status as of December 31, 2022

Balance Sheet Component	2022
Beginning of Year Fund Balance	\$744,537,327
Plus: Smoothed Investment Income	\$45,637,204
Plus: Premium Contributions	\$1,983,711
Less: Insurance Claims	\$37,234,267
Less: <u>Administrative Expenses</u>	<u>\$864,045</u>
End of Year Fund Balance	\$754,059,930
Estimated Liability as of December 31, 2022	\$556,763,814
Surplus (\$)	\$197,296,116
Fund Ratio (% of Estimated Liability)	135.4%

The fund ratio of 135.4% is slightly higher than the target of 125% to 135%.

Duty Disability Funding Analysis

Scenario	Assumed Contribution Rate	Assumed Investment Income	Assumed Payroll Increase from Wisconsin Act 4	Projected Fund Ratio	
				12/31/2023	12/31/2031
Baseline	Current rates are held level in all years	6.8% in all years	1.7%	135%	137%
1	Current rates are held level in all years	-1.0% in 2023 then 6.8% in 2024 and beyond	1.7%	125%	120%
2	Current rates are held level in all years	6.8% in all years	6.9%	135%	135%
3	Premium holiday in 2024 then current rates in 2025+	6.8% in all years	1.7%	135%	136%

- The fund is sensitive to investment income and not very sensitive to premiums.
- The projected fund ratio reduces to 125% when we assume -1.0% investment income in 2023 and remains below target in future years.

Questions

Limitations of Analysis

- We relied on information provided by the Department of Employee Trust Funds (ETF). If any of this information is inaccurate or incomplete, our results may be affected and may need to be revised.
- The valuation uses actuarial assumptions that are individually reasonable and that, in combination, offer our best estimate of anticipated experience. To the extent that actual experience varies from the assumptions, the emerging costs of the plan will vary from the projections we have prepared.
- The calculations in this presentation are consistent with our understanding of Duty Disability funding objectives and requirements. Additional determinations may be needed for other purposes.
- Milliman's work product was prepared exclusively for ETF for a specific and limited purpose. It is not for the use or benefit of any third party for any purpose.
- I, Paul Correia, am a Consulting Actuary with Milliman. I am a member of the American Academy of Actuaries, and I meet its Qualification Standards to render the actuarial opinion contained herein.