

# Actuarial Valuation of the State of Wisconsin Duty Disability Insurance Program

As of December 31, 2023

Paul Correia, FSA, MAAA

Milliman, Inc.

June, 2024



# Valuation Assumptions

- Same discount rate, claim termination rate, and estimated offset assumptions as last year.
- Updated assumptions for computing liabilities for incurred but not reported (IBNR) claims, based on experience studies performed by Milliman using historical plan experience.

# Duty Disability Liabilities As of December 31, 2023

Liability Component	Estimated Liability
Open Claims	\$499,922,132
Future Survivors	\$35,883,664
IBNR Claims	\$46,660,191
Loss Adjustment Expenses	\$12,000,058
Overpayment Recovery	(\$323,051)
<b>Total</b>	<b>\$594,142,994</b>

- 1,012 open claims as of December 31, 2023
  - 957 disabled members
  - 55 survivors (spouses and domestic partners)

# Comparison to Prior Year

Liability Component	12/31/2022	12/31/2023
Open Claims	\$481,530,420	\$499,922,132
Future Survivors	\$34,830,670	\$35,883,664
IBNR Claims	\$29,686,049	\$46,660,191
Loss Adjustment Expenses	\$10,968,617	\$12,000,058
Overpayment Recovery	\$(251,942)	\$(323,051)
<b>Total</b>	<b>\$556,763,814</b>	<b>\$594,142,994</b>

- Benefits increased by 5.3% (national wage index) and 1.6% (core annuity index) on 1/1/2024.
- Liability for IBNR claims is higher due to the updated valuation assumptions.

# Duty Disability Funding Status as of December 31, 2023

Balance Sheet Component	2023
<b>Beginning of Year Fund Balance</b>	<b>\$754,061,695</b>
Plus: Smoothed Investment Income	\$64,302,141
Plus: Premium Contributions	\$1,067,047
Less: Insurance Claims	\$40,225,130
<u>Less: Administrative Expenses</u>	<u>\$1,148,551</u>
<b>End of Year Fund Balance</b>	<b>\$778,057,202</b>
Estimated Liability as of December 31, 2023	\$594,142,994
Surplus (\$)	\$183,914,208
<b>Fund Ratio (% of Estimated Liability)</b>	<b>131.0%</b>

The fund ratio of 131.0% is within the target range of 125% to 135%.

# Duty Disability Funding Analysis

Scenario	Assumed Contribution Rate	Assumed Investment Income	Projected Fund Ratio	
			12/31/2024	12/31/2032
Baseline	Current rates are held level in all years	6.8% in all years	<b>130%</b>	<b>116%</b>
1	Current rates are held level in all years	3.2% in 2024 then 6.8% in 2025+	<b>125%</b>	<b>109%</b>
2	Rates increased to 0.55% of payroll in 2025 and held level in future years	6.8% in all years	<b>130%</b>	<b>134%</b>
3	Rates increased by 10 basis points per year from 2025-2029	6.8% in all years	<b>130%</b>	<b>129%</b>

- The fund is sensitive to investment income and not very sensitive to premiums.
- The projected fund ratio reduces to 125% when we assume 3.2% investment income in 2024 and remains below target in future years.

# Questions

# Limitations

- 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. A model was developed for the purpose of projecting future 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.