

Actuarial Valuation of the State of Wisconsin Duty Disability Insurance Program

As of December 31, 2024

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Valuation Assumptions

- Same discount rate, claim termination rate, and estimated offset assumptions as last year.
- Experience studies for next year's assumptions are planned for this fall including an analysis of the target surplus level.

Duty Disability Liabilities As of December 31, 2024

Liability Component	Estimated Liability
Open Claims	\$519,874,506
Future Survivors	\$37,726,364
IBNR Claims	\$46,260,945
Loss Adjustment Expenses	\$12,398,593
Overpayment Recovery	(\$402,073)
Total	\$615,858,336

- 1,014 open claims as of December 31, 2024
 - 955 disabled members
 - 59 survivors

Comparison to Prior Year

Liability Component	12/31/2023	12/31/2024
Open Claims	\$499,922,132	\$519,874,506
Future Survivors	\$35,883,664	\$37,726,364
IBNR Claims	\$46,660,191	\$46,260,945
Loss Adjustment Expenses	\$12,000,058	\$12,398,593
Overpayment Recovery	\$(323,051)	(\$402,073)
Total	\$594,142,994	\$615,858,336

- Benefits increased by 4.4% (national wage index) and 3.6% (core annuity index) on 1/1/2025.

Duty Disability Funding Status as of December 31, 2024

Balance Sheet Component	2024
Beginning of Year Fund Balance	\$778,048,729
Plus: Smoothed Investment Income and Misc. Income	\$54,547,831
Plus: Premium Contributions	\$1,231,526
Less: Insurance Claims	\$42,223,159
<u>Less: Administrative Expenses</u>	<u>\$1,210,660</u>
End of Year Fund Balance	\$790,394,267
Estimated Liability as of December 31, 2024	\$615,858,336
Surplus (\$)	\$174,535,931
Fund Ratio (% of Estimated Liability)	128.3%

The fund ratio of 128.3% is within the target range of 125% to 135%.

Duty Disability Funding Analysis

Scenario	Assumed Contribution Rate	Assumed Investment Income	Projected Fund Ratio	
			12/31/2025	12/31/2033
Baseline	Current rates are held level in all years	6.8% in all years	127%	116%
1	Current rates are held level in all years	-15% in 2025 then 6.8% in 2026+	100%	75%
2	Rates increased by 0.1% of payroll each year from 2026-2029	6.8% in all years	127%	129%
3	Rates increased to 0.506% of payroll in 2026 and held level in future years	6.8% in all years	127%	130%
4	Claim termination rates are 10% lower	6.8% in all years	125%	113%

- The fund is sensitive to investment income.
- The projected fund ratio reduces to 99.9% when we assume -15% investment income in 2025 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.
- We, Max Berube and Paul Correia, are consulting actuaries with Milliman. We are members of the American Academy of Actuaries, and meet its Qualification Standards to render the actuarial opinion contained herein.