



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: May 5, 2015
TO: Group Insurance Board
FROM: Matt Stohr, Administrator
Division of Retirement Services
SUBJECT: Acceptance of State and Local Income Continuation Insurance (ICI)
Actuarial Valuations

Staff requests the Group Insurance Board (Board) approve both the State and Local ICI Actuarial Reviews as of December 31, 2014.

Local ICI Plan

ETF staff recommends a continuation of the premium holiday for the Local plan.

State ICI Plan

As you will see in the actuarial valuation of the State ICI plan, the State ICI plan has a funding deficit. In order to eliminate the funding deficit within a reasonable amount of time and ensure the State ICI plan's funding viability, the Board could adopt the premium increase in Scenario 1, 2 or 3, all of which could lead to full funding in future years. For example, Milliman projects Scenario 1 would eliminate the deficit by 12/31/2022, with all things being equal. The risk of a substantial premium increase for the plan is that many newly employed participants may choose not to participate in the plan, resulting in adverse selection and sustainability issues for the plan. Conversely, Scenarios 4 and 5 include more moderate premium increases, but according to Milliman's projections, neither Scenario addresses the plan's funding deficit in the foreseeable future.

ETF staff are in the early stages of an in-depth actuarial study of the factors driving the experience on this plan as well as the potential for achieving savings through plan design modifications or other measures. We feel this analysis is necessary in order to identify and address system issues contributing to the plan's current funding condition. However, most plan design modifications would require statutory changes, thus it is hard to say if and when suggested modifications to the plan would be implemented. We

Reviewed and approved by John Voelker, Deputy Secretary

Electronically signed:
5/12/15

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GIB	5.19.15	4A

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will provide the Board with updates as we work with Milliman on the in-depth analysis of the State ICI plan.

In the meantime, ETF staff recommends the Board consider a premium increase, such as Scenario 3, that strikes a balance between providing the funding necessary to address the funding deficit in the foreseeable future and attempts to avoid adverse selection.

A brief summary is found on page six of each report.

Staff from ETF and Milliman will be at the Board meeting to answer any questions.

Attachment A: State ICI Actuarial Valuations

Attachment B: Local ICI Actuarial Valuations