

Actuarial Valuation of LTDI and ICI Plans as of December 31, 2015



**Group Insurance Board
State of Wisconsin
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Actuarial Valuation of LTDI and ICI Plans

Limitations of Analysis

- We relied on information provided by ETF. If it is inaccurate or incomplete, our results may be affected.
- The valuation uses actuarial assumptions that are individually reasonable and which, 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 ETF funding requirements and goals. 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.

Contents

1. State Income Continuation Insurance (ICI) Plan
2. Local ICI Plan
3. Long-Term Disability Insurance (LTDI) Plan

State ICI Valuation Results

State ICI Valuation

Liability Balances as of 12/31/2015

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability Amount
Open Claims	\$73,637,666	\$1,915,237	\$408,320	\$75,961,223
IBNR Claims	\$2,884,814	\$75,031	\$15,996	\$2,975,841
Loss Adjustment Expense	\$3,486,784	\$90,688	\$19,334	\$3,596,806
Total	\$80,009,264	\$2,080,956	\$443,650	\$82,533,870

State ICI Valuation Comparison to Prior Year

Liability Component	12/31/2014	12/31/2015
Open Claims	\$72,263,687	\$75,961,223
IBNR Claims	\$3,114,965	\$2,975,841
Loss Adjustment Expense	\$3,438,764	\$3,596,806
Total	\$78,817,416	\$82,533,870

- The liability for open claims increased by approximately 5%
- The average monthly benefit amount increased by approximately 8% from 2014 to 2015

State ICI Valuation

Retrospective Adequacy Test

Claim Duration	Estimated Liability Margin
1 – 12 months	19.4%
13 – 24 months	4.7%
25 – 36 months	1.8%
37 – 48 months	2.1%
49 – 60 months	-1.5%
61 + months	1.7%
Total	5.2%

State ICI Valuation

Historical State ICI Fund Balances

	12/31/2013	12/31/2014	12/31/2015
Asset Balance	\$51,234,976	\$50,563,266	\$50,182,768
Actuarial Liability	\$85,563,963	\$78,817,416	\$82,411,374
Surplus / (Deficit)	(\$34,328,987)	(\$28,254,150)	(\$32,228,606)

- In 2015, the board approved annual rate increases of 20% each year from 2016 until 2020
- This rate action is expected to eliminate the deficit by 2022
- ETF Staff is also considering plan design changes that may mitigate future rate increases

Local ICI Valuation Results

Local ICI Valuation

Liability Balances as of 12/31/2015

Liability Component	Standard Benefit	Supplemental Benefit	\$75 Add-On	Total Liability Amount
Open Claims	\$4,211,667	\$51,525	\$43,103	\$4,306,295
IBNR Claims	\$167,666	\$2,051	\$1,716	\$171,433
Loss Adjustment Expense	\$199,585	\$2,442	\$2,043	\$204,069
Total	\$4,578,918	\$56,018	\$46,862	\$4,681,797

Local ICI Valuation Comparison to Prior Year

Liability Component	12/31/2014	12/31/2015
Open Claims	\$3,804,373	\$4,306,295
IBNR Claims	\$163,731	\$171,433
Loss Adjustment Expense	\$181,021	\$204,069
Total	\$4,149,125	\$4,681,797

- The liability for open claims increased by approximately 13% from 2014 to 2015
- The number of open claims increased by 10%, from 67 to 74
- The average monthly benefit amount increased by approximately 16%

Local ICI Plan

Historical Fund Balances

	12/31/2013	12/31/2014	12/31/2015
Asset Balance	\$33,542,573	\$35,272,960	\$36,300,190
Actuarial Liability	\$5,190,856	\$4,149,125	\$4,668,867
Surplus / (Deficit)	\$28,351,717	\$31,123,835	\$31,631,324

- The Local ICI plan has run a large surplus for many years
- Premium contributions have been waived since 2012
- Projected annual investment earnings exceed annual benefits and expenses
- Funding analysis indicates premium waiver can be continued for the near future

LTDI Valuation Results

LTDI Valuation

Liability Balances as of 12/31/2015

Liability Component	Basic Benefit	Retirement Contribution	Total Liability Amount
Open Claims	\$243,146,155	\$41,834,922	\$284,981,077
IBNR Claims	\$22,250,817	\$3,828,402	\$26,079,219
Loss Adjustment Expense	\$12,276,626	\$0	\$12,276,626
Total	\$277,673,598	\$45,663,324	\$323,336,922

LTDI Valuation

Comparison of Results to Prior Year (Basic Benefits Only)

Liability Component	12/31/2014	12/31/2015
Open Claims	\$219,515,743	\$243,146,155
IBNR Claims	\$22,813,723	\$22,250,817
Loss Adjustment Expense	\$11,247,032	\$12,276,626
Total	\$253,576,498	\$277,673,598

- The liability for open claims increased by approximately 11% from 2014 to 2015
- The number of open claims increased by approximately 3%
- The average monthly benefit amount increased by approximately 3%
- New valuation assumptions increased the liability by approximately 6%

LTDI Valuation

Retrospective Adequacy Test

Claim Duration	Liability Margin	
	12/31/2014 Valuation Assumptions	12/31/2015 Valuation Assumptions
1 – 12 months	-8.1%	0.5%
13 – 24 months	-0.8%	2.5%
25 – 36 months	-0.2%	1.1%
37 – 48 months	-0.4%	0.4%
49 – 60 months	0.7%	1.4%
61 + months	0.4%	0.8%
Total	-0.7%	1.1%

LTDI Valuation

Historical LTDI Fund Balances(Basic Benefits Only)

	12/31/2013	12/31/2014	12/31/2015
Asset Balance	\$215,938,543	\$231,066,095	\$239,167,803
Actuarial Liability	\$233,508,752	\$253,576,498	\$277,673,599
Surplus / (Deficit)	(\$17,570,209)	(\$22,510,403)	(\$38,505,795)

- In 2015, the Board approved contribution rates of 0.52% in 2016 and 0.35% in 2017 and beyond
- The deficit is expected to be eliminated by 12/31/2019 under this approach