

Attachment C

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.

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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	\$82,533,870
Surplus / (Deficit)	(\$34,328,987)	(\$28,254,150)	(\$32,351,102)

- 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	\$4,681,797
Surplus / (Deficit)	\$28,351,717	\$31,123,835	\$31,618,393

- 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