Actuarial Valuation of
The Local Income Continuation Insurance Plan
As of December 31, 2021

For The State of Wisconsin
Department of Employee Trust Funds

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April 18, 2022

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April 18, 2022

Jim Guidry
Director
Benefit Services Bureau
Wisconsin Department of Employee Trust Funds
Madison, WI 53707

RE: Actuarial Valuation of Local Income Continuation Insurance Plan as of December 31, 2021

Dear Jim:

Thank you for the opportunity to perform an actuarial valuation of the Local Income Continuation Insurance Plan (ICI) as of December 31, 2021. The valuation results are provided in this report, along with detailed documentation of our valuation methods and assumptions.

The State of Wisconsin Department of Employee Trust Funds (ETF) has determined that the Local ICI Plan is not subject to the provisions of GASB 74, which govern the financial reporting of Other Post-Employment Benefits (OPEBs), and which require the use of pension accounting methods including the calculation of a liability for active lives. We have therefore performed this valuation according to the requirements of GASB 10 ("Accounting and Reporting for Risk Financing and Related Insurance Issues"), which does not require the calculation of a liability for active lives. This approach is consistent with prior valuation work performed on the Local ICI Plan. Ultimately it is the responsibility of ETF and its auditors to determine the applicable accounting standards for the plans.

In 2020, Milliman developed new valuation assumptions for the Local ICI plan that included claim termination rates, estimated offsets, and other assumptions. These assumptions were initially used to perform the December 31, 2019 valuation for the Local ICI plan, and remain in place for the December 31, 2021 valuation. We expect to update the assumptions for performing the December 31, 2022 valuation. The discount rate assumption, which is specified by ETF and based on the most recent WRS Experience Study, was reduced this year from 7.0% as of December 31, 2020 to 6.8% as of December 31, 2021. We have performed no independent assessment of the reasonableness of this assumption. ETF is solely responsible for establishing the assumption and communicating any changes to Milliman for the purpose of this valuation.

This report is prepared solely for the internal business use of ETF. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a release agreement, subject to the following exceptions:

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b) ETF may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by ETF, including historical claim and expense data from The Hartford and ETF. While Milliman has not audited this data, we have reviewed it for reasonableness and it is, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

This analysis is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of employer contributions. While this report is based on the assumptions documented here, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. ETF has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

I, Paul L. Correia, FSA, MAAA, am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Daniel D. Skwire, FSA, MAAA, am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Paul L. Correia, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.

Daniel D. Skwire, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.

Section I: Introduction and Executive Summary

The actuarial liabilities for the Local ICI plan as of December 31, 2021 are summarized in Table 1.1 below:

Table 1.1
Actuarial Liabilities for Local ICI Plan
As of December 31, 2021

Liability Component	Basic Benefits	Supplemental Benefits	$75 Add-on	Total Liability Amount
Open Claims	$6,054,263	$270,790	$50,558	$6,375,611
IBNR Claims	$357,110	$15,973	$2,982	$376,065
Loss Adjustment Expense	$387,594	$17,336	$3,237	$408,166
Total	**$6,798,967**	**$304,098**	**$56,777**	**$7,159,842**

The values shown above include estimated liabilities for monthly ICI benefit payments (Basic Benefits and Supplemental Benefits), and for additional benefits of $75 per month to disabled members whose disability lasts longer than 12 months, to help these members with medical expenses ($75 Add-on). Please note that the liability for the $75 Add-on benefit only reflects the cost for disabled members who had not yet received the benefit as of December 31, 2021. For members who had already received the $75 Add-on benefit, the liability is reflected in the liability for Basic Benefits.

We have analyzed the funding status of the Local ICI plan as of December 31, 2021. In total, the Local ICI reserve (i.e., the fund balance available to cover future plan obligations) increased by $2.2 million from December 31, 2020 to December 31, 2021. This increase represents the difference between investment income and claim costs (i.e., benefits and expenses) in 2021. There were no premium contributions in 2021 because premiums for the Local ICI plan have been waived since 2012. The Local ICI reserve is equal to 611% of the actuarial liability as of December 31, 2021, which is significantly higher than the reserve target range of 145% to 155% established by the Group Insurance Board for this plan.

Table 1.2 shows Local ICI reserve balances and financial experience from 2019 through 2021. Our projection of future funding levels, provided in Appendix A, indicates that the Local ICI plan is expected to maintain a significant level of surplus for the foreseeable future. It is therefore reasonable to continue waiving the premium contribution on this plan for the near term.

Table 1.2 Local ICI Fund Balances			
Balance Sheet Component	Plan Year		
	2019	2020	2021
A. Beginning Reserve Balance	$38,914,553	$39,603,652	$41,601,274
B. Closing Adjustments	(4,151)	(2,673)	(2,371)
C. Adjusted Beginning Balance	38,910,402	39,600,979	41,598,903
D. Premium Contributions	0	0	0
E. Investment Earnings	2,804,346	4,058,283	5,027,504
F. Insurance Claims	1,649,419	1,560,355	2,260,238
G. Administrative Expenses	461,677	497,633	611,441
H. Ending Reserve Balance (C + D + E – F – G)	39,603,652	41,601,274	43,754,728
I. Actuarial Liability	5,970,710	6,797,975	7,159,842
J. Surplus (H – I)	$33,632,942	$34,803,299	$36,594,886

Section II: Actuarial Valuation

The actuarial liabilities for the Local ICI Plan consist of three components:

- Liability for Open Claims: Present value of expected future benefits payable to members disabled prior to December 31, 2021, whose claims had been reported to ETF on or before that date. There were 99 open claims and no pending claims reported as of the valuation date.

- Liability for Incurred but not Reported (IBNR) Claims: Present value of expected future benefits payable to members disabled prior to December 31, 2021, but whose claims had not yet been reported to ETF as of that date.

- Liability for Loss Adjustment Expenses: Present value of expected future expenses related to the ongoing management and payment of open and IBNR disability claims.

The following table compares the liabilities for the Local ICI plan as of December 31, 2020 and December 31, 2021:

Table 2.1
Current Year and Prior Year Liabilities for the Local ICI Plan

Component	December 31, 2020	December 31, 2021
Open Claims	$6,019,867	$6,375,611
IBNR Claims	$389,587	$376,065
Loss Adjustment Expense	$388,521	$408,166
Total	**$6,797,975**	**$7,159,842**

The total liability increased by 5.3% from $6.8 million as of December 31, 2020 to $7.2 million as of December 31, 2021. This was driven primarily by an increase in the liability for open claims.

The liability for open claims increased by 5.9% from $6.0 million as of December 31, 2020 to $6.4 million as of December 31, 2021. The number of open claims increased by 3.1% from 96 as of December 31, 2020 to 99 as of December 31, 2021, and the average net benefit amount increased by 6.7% from $1,716 as of December 31, 2020 to $1,831 as of December 31, 2021.

The decrease in the IBNR liability is driven by lower incurred claims observed during the 2016 – 2020 experience period than the incurred claims from the 2015 – 2019 period. Incurred claims experience has been volatile for the Local ICI program due to the low volume of claims.

The increase in the loss adjustment expense liability is driven primarily by the increase in the number of open claims.

The liabilities were calculated based on a discount rate of 6.8%, which is lower than the 7.0% discount rate used last year. The discount rate assumption is prescribed by ETF and we have performed no independent assessment of the reasonableness of this assumption. The impact of using a lower discount rate this year is a $67,322 increase in the total liability (approximately 1%) as of December 31, 2021, with all else equal.

The liabilities for open claims, IBNR claims, and loss adjustment expenses are discussed in greater detail below. Appendix D of this report includes additional documentation of the valuation assumptions.

Open Claims

The liability for open claims was calculated using the same claim termination rate assumptions as last year. These claim termination rate assumptions are based on recovery and mortality rates from the 2012 Group Long-Term Disability Valuation Table adjusted for State ICI plan experience. The adjustment factors were developed from experience studies performed by Milliman in 2020 using ICI claim experience from 2014 through 2019. The estimated offset assumptions are also the same as last year and are based on results from an experience study performed by Milliman in 2020 using plan experience from 2016 through 2019. The claim termination rate adjustment factors and estimated offset assumptions are provided in Appendix D.

We tested these assumptions by performing retrospective runoff tests using State ICI claim experience from 2017 through 2021, because historical Local ICI experience has been volatile due to the small volume of open claims, and we do not consider the experience credible for validating the assumptions. We believe that the State ICI runoff tests provide a reasonable basis for validating the assumptions for open Local ICI claims, because the Local and State ICI plans have similar plan designs and both are administered by The Hartford.

In performing the runoff tests, we calculated liabilities for claims that were open on prior valuation dates using the current valuation assumptions, then we determined whether those liabilities provided sufficient funding for the emerging claim costs. The emerging claim costs were calculated as the present value of benefit payments made during the study period, plus the present value of the remaining liability for claims still open at the end of the study period. The results from the runoff studies are shown below, summarized as the combined result from five mutually distinct 12-month studies using State ICI experience from 2017 through 2021.

Table 2.2 Runout Study for the ICI Plans Study Period: 2017 – 2021	
Claim Duration	Average Annual Margin
1 – 12 months	3.9%
13 – 24 months	9.7%
25 – 36 months	5.2%
37 – 48 months	1.3%
49 – 60 months	0.1%
61 + months	2.1%
Total	**2.5%**

In the preceding table, a positive result in the final column (average annual margin) indicates the estimated liability provided adequate funding for the runoff of open claims during the study period, while a negative result indicates a deficiency. For this type of plan, we typically target a positive overall average annual margin of 1% to 5%, with reasonably consistent patterns by claim duration. The results in the preceding table show that the State ICI plan meets our overall objective, although there is some variation by claim duration. The 9.7% average annual margin for claims in durations 13 – 24 months may be due to the change in the State ICI definition of disability from short-term disability to long-term disability after 12 months. It is not uncommon to see a spike in disability claim termination rates at the change in definition, because some short-term disability claims may not qualify for long-term disability benefits.

IBNR Claims

The liability for IBNR claims represents the present value of expected benefits for claims incurred on or prior to December 31, 2021 that were unreported as of that date. We have assumed that all IBNR claims were incurred in 2021, and that 25% of claims incurred in 2021 were unreported as of the valuation date. This is the same assumption as last year, and was determined from an analysis performed by Milliman in 2020 of unreported claims at various historical year-end dates, using Local ICI claim experience from 2015 through 2019. We have also assumed that the total cost of claims incurred in 2021 will be $1.5 million, based on an analysis of Local ICI incurred claim costs from 2016 through 2020. The calculation of the liability for IBNR claims is provided below:

Table 2.3 Liability for Local ICI IBNR Claims as of December 31, 2021	
A. Estimated Incurred Claims	$1,504,258
B. Estimated Proportion of Unreported Claims	25.0%
C. IBNR Liability as of December 31, 2021 (A x B)	**$376,065**

Loss Adjustment Expense

The liability for loss adjustment expenses was calculated using the following administrative fees specified by The Hartford in 2020 in response to the request for proposals to administer the ICI program.

Table 2.4
Assumed Claim Administration Fees

Component	Assumed Fee
One-time new claim fee	$1,488 per new claim
Monthly fee, first two years	$130 per claim
Monthly fee, years 3 +	$66 per claim

We calculated the liability for loss adjustment expenses separately for open claims and IBNR claims. For open claims, the liability represents the present value of expected future claim administration fees for open claims. Expected fees were projected using the same claim termination rate assumptions as the assumptions used for calculating the open claim liabilities. For IBNR claims, we assumed the one-time new claim fee applies to 38 claims unreported as of the valuation date, based on trends in claim incidence between 2016 and 2020. The liability for ongoing monthly fees for IBNR claims is based on the same relationship between IBNR and open claim liabilities. The December 31, 2021 loss adjustment expense liabilities are shown below for open claims, IBNR claims, and in total.

Table 2.5
Liability for Loss Adjustment Expenses

Claim Type	Estimated Liability
Open claims	$332,388
IBNR claims	$75,778
Total	**$408,166**

Section III: Discussion of Local ICI Funding Levels

We performed a funding analysis based on the Local ICI reserve balance as of December 31, 2021 and projected future experience for the Local ICI plan. The reserve increased from $39.6 million as of December 31, 2019 to $43.8 million as of December 31, 2021, as shown below:

Table 3.1
Local ICI Fund Balances

Balance Sheet Component	Plan Year		
	2019	2020	2021
A. Beginning Reserve Balance	$38,914,553	$39,603,652	$41,601,274
B. Closing Adjustments	(4,151)	(2,673)	(2,371)
C. Adjusted Beginning Balance	38,910,402	39,600,979	41,598,903
D. Premium Contributions	0	0	0
E. Investment Earnings	2,804,346	4,058,283	5,027,504
F. Insurance Claims	1,649,419	1,560,355	2,260,238
G. Administrative Expenses	461,677	497,633	611,441
H. Ending Reserve Balance (C + D + E – F – G)	39,603,652	41,601,274	43,754,728
I. Actuarial Liability	5,970,710	6,797,975	7,159,842
J. Surplus (H – I)	$33,632,942	$34,803,299	$36,594,886

The December 31, 2021 reserve balance is equal to 611% of the actuarial liability, which is significantly higher than the reserve target range of 145% - 155% established by the Group Insurance Board for the Local ICI plan. Reserve balances have increased over the past several years because investment income on reserves exceeded the claim costs (i.e., benefits and expenses) in those years. For this reason, and because of significant surplus in the reserve, premium contributions have been waived since 2012.

We have prepared financial projections to evaluate the long-term performance of the Local ICI reserve. The projections are provided in Appendix A and reflect actual experience for 2021 and projected experience for 2022 and beyond. The key elements of our financial projections include the following:

- **Beginning Reserve Balance**: The projected beginning reserve balance for each year is equal to the prior year's ending reserve balance.

- **Payroll**: Since Local ICI payroll was not available, we estimated current payroll based on payroll data for the State ICI plan and by assuming that the ratio of incurred claims to payroll is similar for both programs. Future payroll is assumed to increase 3.0% per year, which is consistent with the assumptions used by ETF for retirement fund projections. We have also assumed that enrollment will increase by 2% every year due to the premium holiday. This assumption is based on actuarial judgement since we do not have the data to evaluate changes in Local ICI enrollment at this time. We anticipate collecting additional data and refining this assumption for next year's valuation.

- **Premium Contributions**: Premiums are assumed to be waived in all future years given the plan's significant surplus.

- **Investment Income**: Annual investment income in 2022 and beyond is projected as 6.8% of the reserve balance at the beginning of the year.

- **Insurance Claims**: Annual paid insurance claims are the sum of projected payments on existing claims as of December 31, 2021, and of payments on expected future claims incurred after December 31, 2021. Insurance claims for 2022 and beyond are equal to 0.61% of payroll, based on historical State ICI experience from 2016 through 2020 increased by 10% to add margin, and adjusted for expected aging in future years. Benefit payments for these new claims are then computed using runout patterns generated from our valuation assumptions, which in turn are based on recent plan experience.

- **Administrative Expenses**: Administrative expenses are modeled as a constant percentage of paid insurance claims, based on actual values in 2021.

- **Ending Reserve Balance**: The ending balance equals the starting balance, plus premiums, plus investment earnings, less claims, and less expenses.

- **Actuarial Liability**: The actuarial liability is modeled in a similar fashion to the insurance claims. It represents the sum of the decreasing liability on claims that existed as of December 31, 2021 and of the increasing liability for claims incurred after December 31, 2021.

- **Surplus or Deficit**: The projected surplus or deficit equals the ending balance less the actuarial liability.

Our projections indicate that the Local ICI plan is expected to maintain a significant level of surplus for the foreseeable future. In 2019, the Board approved a reserve target range of 145% - 155% of the actuarial liability for the Local ICI plan. Based on our financial projections, the reserve balances are expected to exceed this target in every future year of the projection.

Please note that these projections depend on a variety of actuarial assumptions about future experience, including but not limited to investment earnings, payroll growth, and disability claim experience. It is nearly certain that actual experience will vary from these assumptions, meaning that the plan's actual surplus or deficit will be higher or lower than the illustrated values.

Appendix A: Financial Projections

Baseline Scenario: Premium contributions waived throughout the projection period. In the Baseline scenario, the reserve ratio is projected to decrease from 611% of the actuarial liability as of December 31, 2021 to 442% of the actuarial liability as of December 31, 2027.

Scenario 1: Premium contributions waived throughout the projection period, and Local ICI basic benefit enhancements become effective on January 1, 2023. We assume the benefit enhancements will result in higher incurred claim costs, and since premium contributions are waived throughout the projection, the impact on funding levels is a greater reduction in the reserve ratio than the Baseline scenario. In Scenario 1, the reserve ratio is projected to decrease from 611% of the actuarial liability as of December 31, 2021 to 427% of the actuarial liability as of December 31, 2027.

Local ICI Funding Analysis as of December 31, 2021
Baseline Scenario
Premium contributions waived throughout the projection period

Calendar Year	2021	2022	2023	2024	2025	2026	2027
BOY Reserve Balance	$41,598,903	$43,754,728	$43,804,227	$43,802,950	$43,747,442	$43,634,017	$43,458,736
Premium Contributions	$0	$0	$0	$0	$0	$0	$0
Investment Income	$5,027,504	$2,975,322	$2,978,687	$2,978,601	$2,974,826	$2,967,113	$2,955,194
Total Revenues	$5,027,504	$2,975,322	$2,978,687	$2,978,601	$2,974,826	$2,967,113	$2,955,194
Insurance Claims	$2,260,238	$2,302,853	$2,345,468	$2,388,083	$2,430,698	$2,473,312	$2,515,927
Carrier Administrative Expenses	$411,674	$419,436	$427,198	$434,959	$442,721	$450,483	$458,245
Administrative Expense	$199,767	$203,533	$207,300	$211,066	$214,833	$218,599	$222,366
Total Operating Expenses	$2,871,679	$2,925,822	$2,979,965	$3,034,108	$3,088,251	$3,142,394	$3,196,537
Net Change in Reserve Balance	$2,155,825	$49,499	($1,278)	($55,508)	($113,425)	($175,281)	($241,343)
EOY Reserve Balance	$43,754,728	$43,804,227	$43,802,950	$43,747,442	$43,634,017	$43,458,736	$43,217,392
Actuarial Liability	$7,159,842	$7,323,155	$7,783,933	$8,171,796	$8,561,591	$8,949,578	$9,774,590
Surplus / (Deficit)	$36,594,886	$36,481,072	$36,019,016	$35,575,646	$35,072,426	$34,509,158	$33,442,802
Ratio EOY Fund Balance to Liability	611%	598%	563%	535%	510%	486%	442%

Local ICI Funding Analysis as of December 31, 2021
Scenario 1
Premium contributions waived throughout the projection period, and benefit enhancements become effective on January 1, 2023

Calendar Year	2021	2022	2023	2024	2025	2026	2027
BOY Reserve Balance	$41,598,903	$43,754,728	$43,804,227	$43,764,833	$43,649,558	$43,453,243	$43,170,376
Premium Contributions	$0	$0	$0	$0	$0	$0	$0
Investment Income	$5,027,504	$2,975,322	$2,978,687	$2,976,009	$2,968,170	$2,954,820	$2,935,586
Total Revenues	$5,027,504	$2,975,322	$2,978,687	$2,976,009	$2,968,170	$2,954,820	$2,935,586
Insurance Claims	$2,260,238	$2,302,853	$2,375,469	$2,433,084	$2,490,700	$2,548,315	$2,605,930
Carrier Administrative Expenses	$411,674	$419,436	$432,662	$443,156	$453,650	$464,144	$474,638
Administrative Expense	$199,767	$203,533	$209,951	$215,044	$220,136	$225,228	$230,320
Total Operating Expenses	$2,871,679	$2,925,822	$3,018,082	$3,091,284	$3,164,485	$3,237,687	$3,310,888
Net Change in Reserve Balance	$2,155,825	$49,499	($39,395)	($115,275)	($196,315)	($282,866)	($375,303)
EOY Reserve Balance	$43,754,728	$43,804,227	$43,764,833	$43,649,558	$43,453,243	$43,170,376	$42,795,074
Actuarial Liability	$7,159,842	$7,323,155	$7,859,851	$8,291,490	$8,709,701	$9,113,930	$10,023,183
Surplus / (Deficit)	$36,594,886	$36,481,072	$35,904,981	$35,358,067	$34,743,541	$34,056,447	$32,771,891
Ratio EOY Fund Balance to Liability	611%	598%	557%	526%	499%	474%	427%

Appendix B: Plan Description

The Local ICI Plan provides short and long term disability benefits as summarized below:

- Elimination Period: Participating employees select an elimination period up to 180 days. Benefits are reduced for any vacation, sick leave, holiday or compensation pay received after the elimination period.

- Maximum Benefit Period: The following table shows the maximum duration of benefits:

Age at Disablement	Maximum Benefit Period
Before age 62	To Age 65
62	3.50 years
63	3.00 years
64	2.50 years
65	2.00 years
66	1.75 years
67	1.50 years
68	1.25 years
69	To Age 70

- Benefit Amount: The basic benefit provides up to 75% of a participant's average monthly earnings, capped at $4,000 per month. Supplemental coverage is available to employees whose annual salary exceeds $64,000, and provides an additional benefit up to $3,500 per month. For disabilities lasting longer than 12 months, a supplement of $75 per month is added to the normal benefit amount.

- Benefit Increases: None

- Benefit Offsets: The ICI plan benefit is offset by income received from other sources including, but not limited to: Social Security benefits (regular or disability), unemployment compensation, Worker's Compensation (except permanent disability awards), WRS benefits (retirement, disability retirement, Long-Term Disability Insurance, or separation), work earnings, and Duty Disability benefits.

- Definition of Disability: During the first 12 months of disability, the participant is disabled if unable to perform his or her job and under the care of a physician. After the first 12 months of disability, the participant is disabled if unable to engage in any substantial gainful activity for which he or she is reasonably qualified.

- Premium Contributions: Premiums for basic coverage are paid by the employer and the employee. Premiums for supplemental coverage are paid entirely by the employee.

Appendix C: Data for Valuation

The following tables show the distribution of open claims as of December 31, 2021 by year of disability and gender, and by age at disability and gender.

Number of Open Local ICI Claims as of December 31, 2021 By Year of Disability and Gender			
Disability Year	Male	Female	Total
2001 and earlier	1	2	3
2002	1	0	1
2003	1	0	1
2004	0	2	2
2005	1	2	3
2006	1	1	2
2007	0	0	0
2008	0	0	0
2009	2	2	4
2010	4	0	4
2011	2	0	2
2012	0	0	0
2013	1	1	2
2014	1	3	4
2015	3	3	6
2016	6	0	6
2017	2	1	3
2018	0	1	1
2019	4	4	8
2020	7	5	12
2021	20	15	35
Total	**57**	**42**	**99**

Number of Open Local ICI Claims as of December 31, 2021 By Age at Disability and Gender			
Age at Disability	Male	Female	Total
< 20	0	0	0
20-24	0	0	0
25-29	2	-	2
30-34	5	6	11
35-39	6	2	8
40-44	8	5	13
45-49	11	9	20
50-54	8	10	18
55-59	12	6	18
60-64	4	3	7
65+	1	1	2
Total	**57**	**42**	**99**

The following tables show the distribution of net monthly benefit amounts as of December 31, 2021 by year of disability and gender, and by age at disability and gender.

Local ICI Net Monthly Benefit Amounts as of December 31, 2021 By Year of Disability and Gender			
Disability Year	Male	Female	Total
2001 and earlier	$366	$1,604	$1,970
2002	$1,122	$0	$1,122
2003	$3,023	$0	$3,023
2004	$0	$1,703	$1,703
2005	$137	$265	$402
2006	$857	$192	$1,049
2007	$0	$0	$0
2008	$0	$0	$0
2009	$215	$1,417	$1,632
2010	$8,938	$0	$8,938
2011	$2,435	$0	$2,435
2012	$0	$0	$0
2013	$268	$67	$335
2014	$510	$3,918	$4,428
2015	$4,807	$1,457	$6,264
2016	$10,381	$0	$10,381
2017	$2,510	$321	$2,831
2018	$0	$1,605	$1,605
2019	$7,119	$4,207	$11,326
2020	$18,241	$6,330	$24,571
2021	$60,076	$37,138	$97,214
Total	**$121,005**	**$60,225**	**$181,230**

Local ICI Net Monthly Benefit Amounts as of December 31, 2021 By Age at Disability and Gender			
Age at Disability	Male	Female	Total
< 20	$0	$0	$0
20-24	$0	$0	$0
25-29	$2,400	$0	$2,400
30-34	$13,994	$6,804	$20,798
35-39	$13,507	$5,563	$19,069
40-44	$14,626	$4,718	$19,345
45-49	$16,338	$12,710	$29,048
50-54	$18,572	$18,820	$37,392
55-59	$27,065	$6,189	$33,253
60-64	$13,840	$4,787	$18,627
65+	$663	$635	$1,297
Total	**$121,005**	**$60,225**	**$181,230**

Appendix D: Actuarial Methods and Assumptions

- Valuation Date: December 31, 2021

- Discount Rate: 6.8%, specified by ETF. This assumption represents a long-term investment return for the Local ICI reserve.

- Claim Termination Rates: Claim termination rate assumptions were derived from State ICI plan experience relative to the 2012 Group Long-Term Disability Valuation Table, as shown below:

Disability Duration	2012 GLTD Termination Rate Adjustment Factor
1 – 9 months	1.25
10 – 12 months	2.50
13 – 24 months	1.25
25 – 60 months	0.98
61 + months	0.96

- Future Offset Approval Rates: Estimated Social Security offset assumptions were derived from historical State ICI experience and are shown below.

  Probability of being approved for Social Security benefits (if not already approved):

Claim Duration	Probability
1 – 12 months	67%
13 – 24 months	58%
25 – 36 months	45%
37 – 48 months	35%
49 – 60 months	9%
61 + months	0%

  No future offsets are assumed on claimants disabled more than five years.

  Future Social Security offset amount as percentage of gross benefit amount: 45%.

- Incurred But Not Reported Claims: 25% of the estimated incurred claims for the current year, as determined from analyses of historical Local ICI claim experience.

- Overpayment Credit: 75% of the overpayment balance reported by ETF as of December 31, 2021. We assume that 75% of the December 31, 2021 overpayment balance will eventually be recovered, and we applied this amount as an offset to the total liability. This assumption was based on an analysis of historical overpayment balances and recoveries from December 31, 2012 through December 31, 2016.

- Loss Adjustment Expenses: Assumed claim administration fees are provided below:

Assumed Claim Administration Fees	
Component	Fee
New claim fee	$1,488 per new claim
Monthly fee, years 1 and 2	$130 per claim
Monthly fee, years 3+	$66 per claim

Appendix E: Reliance Items

In performing the valuation, we relied, without audit, on certain data and information provided by ETF and The Hartford. To the extent any of the data or other items were incomplete or inaccurate, the results of our work may be materially affected.

The principal items on which we relied included the following:

- Lists of active disability claims and related information provided by The Hartford
- Asset balances, premium contributions, plan expenses, and other financial information provided by ETF
- Plan descriptions provided by ETF
- Discussions with ETF and personnel at The Hartford