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July 12, 2022

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

**RE: ICI Covered Payroll Analysis**

Dear Jim,

Thank you for asking Milliman for assistance in analyzing the covered payroll of employees enrolled in the ICI plan. We have calculated covered payroll for state ICI basic benefits using salary data from the 2021 insurance files, as shown below by ICI premium category:

<b>Table 1 2021 Covered Payroll – Current Plan State ICI Basic Benefits</b>				
<b>ICI Premium Category</b>	<b>Enrolled Employees</b>	<b>Monthly Income</b>	<b>Monthly Covered Payroll</b>	<b>Covered Payroll % of Income</b>
1	6,702	\$30,671,399	\$27,542,654	89.8%
2	2,179	\$11,577,832	\$9,865,664	85.2%
3	4,985	\$27,477,045	\$22,658,193	82.5%
4	3,348	\$19,071,406	\$15,698,491	82.3%
5	3,794	\$22,429,689	\$18,171,510	81.0%
6	8,114	\$51,488,768	\$39,777,010	77.3%
7	2,031	\$15,042,410	\$10,130,789	67.3%
8	4,710	\$36,271,484	\$23,861,912	65.8%
9	679	\$5,540,998	\$3,489,833	63.0%
10	5,784	\$46,047,647	\$29,142,328	63.3%
<b>Total</b>	<b>42,326</b>	<b>\$265,618,677</b>	<b>\$200,338,383</b>	<b>75.4%</b>

In total, covered payroll for State ICI basic benefits represents 75.4% of income for employees enrolled in the plan. The ratios in the final column of Table 1 are decreasing with increasing premium category, and are significantly lower for UW faculty (premium categories 7 – 10) than all other enrolled employees. Based on the salary data in the 2021 insurance files, approximately 53% of enrolled employees have annual income greater than the maximum covered payroll for basic benefits (\$64,000).

We also calculated State ICI covered payroll by assuming the maximum covered payroll for basic benefits is increased to \$120,000 (meaning the maximum basic monthly benefit amount is increased from \$4,000 to \$7,500), as shown below:

ICI Premium Category	Enrolled Employees	Monthly Income	Monthly Covered Payroll	Covered Payroll % of Income
1	6,702	\$30,671,399	\$30,237,067	98.6%
2	2,179	\$11,577,832	\$11,425,998	98.7%
3	4,985	\$27,477,045	\$26,255,178	95.6%
4	3,348	\$19,071,406	\$18,478,445	96.9%
5	3,794	\$22,429,689	\$21,970,847	98.0%
6	8,114	\$51,488,768	\$49,715,314	96.6%
7	2,031	\$15,042,410	\$13,536,205	90.0%
8	4,710	\$36,271,484	\$32,487,320	89.6%
9	679	\$5,540,998	\$4,866,081	87.8%
10	5,784	\$46,047,647	\$39,964,818	86.8%
<b>Total</b>	<b>42,326</b>	<b>\$265,618,677</b>	<b>\$248,937,275</b>	<b>93.7%</b>

Under the higher threshold, total covered payroll represents 93.7% of total income for employees enrolled in the plan. The ratios in the final column of Table 2 are more uniform than those in Table 1, and the gap between UW faculty and all other enrolled employees is less noticeable. Approximately 9% of enrolled employees have annual income greater than \$120,000.

We tested other thresholds for maximum covered payroll ranging from \$128,000 (which corresponds to an \$8,000 maximum monthly benefit amount) to \$160,000 (corresponding to a \$10,000 maximum monthly benefit amount). The results are shown in Table 3 below:

Maximum Covered Payroll	Total Covered Payroll % of Total Income	% Enrolled Employees with Income > Threshold
\$128,000 (\$8,000 maximum monthly benefit)	94.6%	7.2%
\$136,000 (\$8,500 maximum monthly benefit)	95.3%	6.1%
\$144,000 (\$9,000 maximum monthly benefit)	95.9%	5.2%
\$152,000 (\$9,500 maximum monthly benefit)	96.4%	4.2%
\$160,000 (\$10,000 maximum monthly benefit)	96.8%	3.6%

### **General**

This letter has been prepared for Wisconsin ETF for the specific purpose of evaluating proposed changes to the ICI plan. It may not be distributed to any other party without the written consent of Milliman. Any distribution of this letter should be in its entirety.

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied by ETF, including insurance files and employment data. 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 letter may need to be revised.

I, Paul Correia, am a Consulting Actuary at Milliman. I am a member of the American Academy of Actuaries and I meet its Qualification Standards to provide the actuarial opinion contained herein.

\* \* \*

I hope this information is helpful in evaluating the impact of increasing the maximum covered payroll for basic ICI benefits. Please let me know if you have any questions. I can be reached at (207) 771-1204 or paul.correia@milliman.com. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Paul Correia".

Paul Correia, FSA, MAAA  
Principal and Consulting Actuary

c.c. Gina Fischer, Erin Esser, Megan Jeffers, Matt Nelson (ETF), Dan Skwire (Milliman)