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July 8, 2022

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

RE: Eliminating ICI Supplemental Benefits and Enhancing ICI Basic Benefits

Dear Jim,

Thank you for asking Milliman to analyze the impact of eliminating supplemental benefits and expanding basic benefits for the State and Local ICI plans. At your request, we have analyzed the potential impact of these changes on employer contributions. This letter is a revised version of the communication sent on March 21st, 2022, with the only difference being that it includes the 20% rate reduction approved by the Board for 2023.

The following table shows actual contributions in 2021 and projected contributions in 2022 and 2023 for the State ICI plan:

Projected Annual Employer Contributions Under New Plan Design Effective 2023 State ICI	
Year	**Employer Contributions**
2021 (Actual)	$17,638,686
2022 (Projected)	$9,359,138
2023 (Projected)	$10,615,280

The projections assume a 3% increase in premium contributions per year based on expected wage growth. The 2022 projection assumes a 50% reduction in contribution rates relative to 2021, which is the primary reason for the decrease in contributions. This is partially offset by an assumed increase in participation in 2022. The expected contributions from employers increase in 2023, despite the 20% rate reduction approved by the Board for 2023, as employers are expected to cover some of the additional premium associated with the enhanced basic benefits.

The expected increase in employer premiums from 2022 to 2023 (approximately 13%) is higher than what would be implied from our prior analysis that used 2020 premiums (approximately 7%). This is because updating the analysis using 2021 premiums resulted in a higher proportion of employer paid premium than the 2020 premiums.

Methodology

The methodology described in the letter "Letter on ICI Program Changes 7-8-22" (which is enclosed and was also updated for the 20% rate reduction) also applies to the results in this letter. However, for this task, we were provided a new source for premiums that included premiums paid by employers in 2021.

The expected premium contributions in 2022 are equal to 2021 actual employer contributions multiplied by 50% to account for the rate decrease, and by 1.03 to account for wage growth. They also include an additive term reflecting expected changes in participation. This term is the same as the term used in the analysis based on 2020 premiums.

Expected premium contributions in 2023 under the new plan are based on the same calculation methods as in the analysis that used 2020 premiums, however they were adjusted to reflect known contributions in 2021 as well as the 20% rate reduction approved by the Board for 2023. The actual contributions in 2021 indicated that employers pay 51% of basic premiums, whereas our previous estimates assumed that employers pay 48% of premiums. Excluding changes in participation, 2023 premiums were scaled based on differences between actual and projected 2021 employer premiums by a factor of 1.06 (51% / 48%).

Because the updated 2021 premiums were provided in aggregate rather than on a seriatim level, changes in employee demographics could not be modeled. Instead, our approach relies upon a number of simplifying assumptions. An analysis using updated 2021 census files may produce different results. For example, changes in the number of employees eligible for, but not participating in, supplemental benefits may have an impact on the results. Changes in the distribution of employee premium categories may have an impact as well.

General

This letter has been prepared for Wisconsin ETF for the specific purpose of reviewing proposed changes to the ICI program. 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 historical claim data from The Hartford and ETF as well as other sources. 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.

This analysis relied on a model which was used for the purpose of analyzing changes to the ICI program. This model relies on various assumptions and projections of future experience. It is unlikely that future experience will conform exactly to these assumptions and therefore future results will vary from expected results to the extent future experience varies from these assumptions.

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.

Please let me know if you have any questions. I can be reached at (207) 771-1204 or paul.correia@miliman.com. Thank you.

Sincerely,

Paul Correia

Paul Correia, FSA, MAAA
Principal and Consulting Actuary

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