



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: May 7, 2025
To: Group Insurance Board
From: Gene Janke, Benefit Services Bureau Director
Division of Benefits Administration
Subject: Acceptance of State and Local Income Continuation Insurance Actuarial Valuations

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) accept the State and Local Income Continuation Insurance (ICI) Actuarial Valuations as of December 31, 2024. ETF also recommends the Board adopt the Baseline Scenario for the State ICI plan, which would reduce current premium rates by 10% for the 2026 plan year and also adopt the Baseline Scenario for the Local ICI plan, resulting in a continuation of the premium holiday in the 2026 plan year.

Milliman, Inc. has prepared the annual actuarial valuations of the State and Local ICI programs as of December 31, 2024. The State ICI valuation shows the reserve balance has increased to 208% of actuarial liabilities (203% in 2023), which is above the reserve target range of 130% to 140%. At the May 2024 meeting, the board approved a 10% reduction of State ICI premium rates for 2025.

The reserve fund ratio in the Local ICI program decreased in 2024. The reserve fund, at 527% of actuarial liabilities (584% in 2023), exceeds the reserve target range of 145% to 155%. The reserve balance to program liabilities ratio has been declining recently as claims experience increases and more local employers join the program.

An executive summary is included on page three of each valuation report.

State ICI Program

State ICI Targeted Reserve Review

The Board established a reserve policy in November 2019¹ for the State ICI program and approved a reserve target range of 130-140% of the program's actuarial liabilities. The reserve policy will be reviewed at the August or November GIB meeting in 2025.

¹The reserve policy requires the Board to review the policy language and reserve targets at least every 3 years. On May 18, 2022, the Board conducted this review and voted to maintain the current reserve policy and reserve targets for both the State and Local ICI plans.

Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 05/05/2025

Board	Mtg Date	Item #
GIB	05.21.25	10

At the end of 2023, the reserve balance was \$172.5 million, and actuarial liabilities were \$85.1 million. The reserve balance was 208% of liabilities. For 2024, the reserve balance increased to \$181.0 million, and the program liabilities increased to \$87.0 million.

State ICI Plan Rate Recommendation

The 2024 State ICI valuation report provided by Milliman developed financial projections for six scenarios representing different contribution rate levels:

- Baseline Scenario: Contribution rates are reduced by 10% in 2025 and 10% in 2026. The fund ratio is projected to reduce to 165% by December 31, 2030.
- Scenario 1: Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years, with a -15% investment return in 2025 followed by 6.8% returns in all future years. The fund ratio is projected to reduce to 114% by December 31, 2030.
- Scenario 2: Contribution rates are reduced by 10% in 2025 and again in 2026, then held level in future years, with -30% investment return in 2025. Rates are increased by 80% in 2027 to bring the plan to target levels by December 31, 2030.
- Scenario 3: Contribution rates are reduced by 10% in 2025 and then held level. The fund ratio is projected to decrease to 174% by December 31, 2030.
- Scenario 4: Contribution rates are reduced by 10% in 2025 and 50% in 2026 then held level. This reduces the fund ratio to 128% by December 31, 2030.
- Scenario 5: Contribution rates are reduced by 10% in 2025 and 10% in 2026. Claim termination rates are assumed to be 10% lower and liabilities are recalculated. This results in a reduction in the fund ratio from 201% as of December 31, 2024, to 141% by December 31, 2030.

All scenarios include incurred but not reported (IBNR) claim liabilities based on the new assumptions developed from the IBNR experience study.

ETF recommends the Board adopt the baseline scenario, which would reduce current premium rates for the State ICI program by 10% in the 2026 plan year.

Local ICI Program

Local ICI Targeted Reserve Review

The Board established a reserve target range of 145-155% of actuarial liabilities for the local ICI program in November 2019. At the end of 2023, the local ICI program's reserve balance was \$43.9 million, and liabilities were \$7.5 million, resulting in a reserve balance of 527% of actuarial liabilities. On December 31, 2024, the reserve balance remained approximately the same at \$43.9 million while liabilities increased to \$8.3 million.

Local ICI Plan Rate Recommendation

The 2024 Local ICI valuation report provides financial projections for the following scenarios:

Baseline Scenario: Premium contributions waived over the projection period resulting in a steady fund ratio decrease from 527% as of December 31, 2024, to 176% as of December 31, 2030.

Scenario 1: Baseline scenario with a -15% investment return in 2025 followed by 6.8% returns in all future years. The fund ratio is projected to decrease from 527% as December 31, 2024, to 97% as of December 31, 2030.

Scenario 2: Baseline scenario with claim termination rates reduced by 10%. The fund ratio is projected to decrease to a lower level than the baseline, with a fund ratio starting at 502% as of December 31, 2024, and reducing to 140% as of December 31, 2030.

As with the State ICI plan, these scenarios project IBNR claim liabilities based on the assumptions developed from the IBNR experience study.

ETF recommends the Board approve the Baseline Scenario that leaves the local ICI premium holiday in place for 2026.

Staff from ETF and Milliman will be at the Board meeting to answer any questions.

Attachment A: [Actuarial Valuation of The State Income Continuation Insurance Plan, as of December 31, 2024](#)

Attachment B: [Actuarial Valuation of The Local Income Continuation Insurance Plan, as of December 31, 2024](#)