MILLIMAN REPORT

Actuarial Valuation of The Local Income Continuation Insurance Plan

As of December 31, 2024

April 21, 2025

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April 21, 2025

Eugene Janke
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, 2024

Dear Gene,

Thank you for the opportunity to perform an actuarial valuation of the Local Income Continuation Insurance (ICI) plan as of December 31, 2024. The valuation results include estimated liabilities and financial projections for the Local ICI plan, which are provided in this report along with documentation of the data, assumptions, and methods used in our analysis.

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 require the use of pension accounting methods, including the calculation of a liability for active lives. We have therefore performed this valuation based on GASB 10 guidelines ("Accounting and Reporting for Risk Financing and Related Insurance Issues") which do 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 plan.

We used a discount rate of 6.8% for estimating Local ICI liabilities as of December 31, 2024, and for projecting investment income for the Local ICI reserve in our financial projections. This discount rate is consistent with last year's discount rate assumption. The discount rate assumption is prescribed by ETF and we have performed no independent assessment of the reasonableness of this assumption. 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 for the purpose of managing the Local ICI program, and it is not appropriate for other purposes. 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 and The Hartford, including historical claim and expense 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 report may need to be revised.

This analysis is only an estimate of the Local ICI 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 benefits. 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.

In order to provide the information requested by ETF, we have constructed several projection models. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is nearly certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

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, Maxwell E. Berube, 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, 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.

Sincerely,

Maxwell Berube

Maxwell E. Berube, FSA, MAAA
Consulting Actuary
Milliman, Inc.

Paul Correia

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

Executive Summary

The actuarial liabilities for the Local ICI plan as of December 31, 2024 are summarized in Table 1.1 below:

TABLE 1.1
ACTUARIAL LIABILITIES FOR THE LOCAL ICI PLAN AS OF DECEMBER 31, 2024

LIABILITY COMPONENT	BASIC BENEFITS	SUPPLEMENTAL BENEFITS	$75 ADD-ON	TOTAL LIABILITY
Open Claims	$6,919,284	$237,563	$36,182	$7,193,029
IBNR Claims	$533,869	$18,330	$2,792	$554,990
Loss Adjustment Expenses	$575,684	$19,765	$3,010	$598,460
Total	**$8,028,837**	**$275,658**	**$41,984**	**$8,346,479**

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). 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, 2024. For members who had already received the $75 add-on benefit, the liability is reflected in the liability for basic benefits.

We estimated liabilities for open claims, IBNR claims, and loss adjustment expenses using the same valuation assumptions as last year. The valuation assumptions are specified in Appendix D of this report. We believe that these liabilities reflect a best estimate basis plus a modest degree of conservatism as indicated by the results of our runout study as shown in Table 2.3 and in Appendix D.

The Local ICI reserve (i.e., the funds available to cover future plan obligations) stayed approximately level between December 31, 2023 and December 31, 2024. The reserve earned $3.0 million in investment income in 2024 (6.9% of the beginning reserve balance), which is 10 basis points higher than the 6.8% investment income assumption for the plan, and almost the same amount as insurance claims and expenses in 2024 which were just slightly lower. There were no premium contributions in 2024 because premiums for the Local ICI plan have been waived since 2012. The Local ICI reserve was equal to 527% of the actuarial liability as of December 31, 2024, which is significantly higher than the target range of 145% to 155% established by the Group Insurance Board for this plan. Table 1.2 below shows Local ICI reserve balances and financial experience from 2022 through 2024. 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.

LOCAL ICI RESERVE BALANCES AND FINANCIAL EXPERIENCE FROM 2022 THROUGH 2024

BALANCE SHEET COMPONENT		2022	2023	2024
A.	**Beginning Reserve Balance**	**$43,754,728**	**$43,220,815**	**$43,924,074**
B.	Adjustments	($3,194)	$19,344	($8,171)
C.	Adjusted Beginning Reserve Balance	$43,751,534	$43,240,159	$43,915,903
D.	Premium Contributions	$0	$0	$0
E.	Investment Earnings	$2,635,324	$3,668,614	$3,046,325
F.	Insurance Claims	$2,502,592	$2,186,108	$2,006,700
G.	Administrative Expenses	$663,451	$798,591	$1,007,288
H.	**Ending Reserve Balance (C + D + E – F – G)**	**$43,220,815**	**$43,924,074**	**$43,948,240**
I.	Actuarial Liability	$8,201,033	$7,518,161	$8,346,479
J.	Surplus (H – I)	$35,019,782	$36,405,913	$35,601,761

Actuarial Valuation

The estimated liabilities for the Local ICI plan as of December 31, 2024 consist of the following components:

- **Liability for Open Claims**: Present value of expected benefit payments to disabled members whose disability was both incurred and reported by December 31, 2024. There were 102 open claims and no pending claims as of the valuation date.

- **Liability for Incurred but not Reported (IBNR) Claims**: Present value of expected benefit payments to disabled members whose disability was incurred on or before December 31, 2024, but whose claims had not yet been reported as of that date.

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

The following table compares the estimated liabilities for the Local ICI plan as of December 31, 2023 and December 31, 2024:

TABLE 2.1
ACTUARIAL LIABILITIES FOR THE LOCAL ICI PLAN AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2024

LIABILITY COMPONENT	DECEMBER 31, 2023	DECEMBER 31, 2024
Open Claims	$6,546,361	$7,193,029
IBNR Claims	$505,510	$554,990
Loss Adjustment Expense	$466,290	$598,460
Total	**$7,518,161**	**$8,346,479**

The total liability for the Local ICI plan increased by 11.0% from $7.5 million as of December 31, 2023 to $8.3 million as of December 31, 2024. The liability for open claims increased by 9.9% from $6.5 million as of December 31, 2023 to $7.2 million as of December 31, 2024. The number of open claims increased by 5.2% from 97 as of December 31, 2023 to 102 as of December 31, 2024, and the average net benefit amount increased by 11.7% from $1,812 as of December 31, 2023 to $2,023 as of December 31, 2024. Other factors can impact Local ICI liabilities such as cause of disability and claimant demographics, because the valuation assumptions vary by these factors. Appendix C contains details on the distribution of Local ICI open claims by age and gender and by monthly benefit amount and disability year.

Included in the liability for open claims is an estimate of the liability for Supplemental Benefits, which were eliminated from the plan on February 1, 2024 but are still payable to claims approved for Supplemental Benefits before February 1, 2024. Because the cohort of claims approved from Supplemental Benefits before February 1, 2024 is closed to new claims, the liability for Supplemental Benefits is expected to decrease each year until all claims have terminated.

The estimated liability for IBNR claims increased by 9.8% from $0.51 million as of December 31, 2023 to $0.55 million as of December 31, 2024. The liability for loss adjustment expenses increased by 28%, in line with the increases in claim expense fees charged by The Hartford beginning in 2025, and based on an assumption that there will be 2% annual inflation starting in 2027.

The liabilities were calculated based on a discount rate of 6.8%, which is the same as last year. The discount rate assumption is prescribed by ETF and we have performed no independent assessment of the reasonableness of this assumption.

The liabilities for open claims, IBNR claims, and loss adjustment expenses are discussed in greater detail below, and Table 2.2 shows how these liabilities are split by benefit type. Appendix D of this report includes additional documentation of the valuation assumptions.

TABLE 2.2
ACTUARIAL LIABILITIES FOR THE LOCAL ICI PLAN AS OF DECEMBER 31, 2024

LIABILITY COMPONENT	BASIC BENEFITS	SUPPLEMENTAL BENEFITS	$75 ADD-ON	TOTAL LIABILITY
Open Claims	$6,919,284	$237,563	$36,182	$7,193,029
IBNR Claims	$533,869	$18,330	$2,792	$554,990
Loss Adjustment Expenses	$575,684	$19,765	$3,010	$598,460
Total	**$8,028,837**	**$275,658**	**$41,984**	**$8,346,479**

Open Claims

We tested the valuation assumptions used for computing the liability for open claims by performing retrospective runoff studies using State ICI claim experience from 2020 through 2024, because Local ICI experience is not reliable for validating the assumptions due to the small volume of claims and volatility. We believe State ICI experience provides a reasonable basis for validating the assumptions for the Local ICI plan because the Local and State ICI plans have similar designs and both are administered by The Hartford. In performing the runoff studies, we first calculated the liability for claims that were open on prior valuation dates using current valuation assumptions, then we determined whether those liabilities would have 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 liabilities for claims still open at the end of the study period, discounted to the beginning of the study period. The results from our runoff studies are shown below, summarized in terms of average annual margins from five mutually distinct 12-month studies based on claim experience from 2020 through 2024.

TABLE 2.3
RUNOUT STUDY FOR THE ICI PLANS BASED ON EXPERIENCE FROM 2020 THROUGH 2024

CLAIM DURATION	AVERAGE ANNUAL MARGIN
1 – 12 months	13.1%
13 – 24 months	0.3%
25 – 36 months	-0.7%
37 – 48 months	-4.2%
49 – 60 months	5.3%
61 + months	1.5%
Total	**1.6%**

In the preceding table, a positive 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. Although experience for duration groups 25 – 48 months produces a negative margin in our runout study, volatility is expected by duration group, the other duration groups have positive margins, and the overall margin falls within the target range of 1% to 5%. We will continue to monitor experience and test the valuation assumptions in future years. Based on these results, we believe that the open claim liability estimate as of December 31, 2024 is somewhat more conservative than a best estimate reserve (the greater the margin, the more conservative the basis).

IBNR Claims

The liability for IBNR claims represents the present value of expected benefits for claims incurred on or before December 31, 2024 that were unreported as of that date. We have assumed that 26% of claims incurred in 2024 were unreported as of the valuation date. This includes 10% margin added by multiplying our best estimate assumption by 1.10. This assumption is based on IBNR experience studies performed by Milliman in the fall of 2023. We also assumed that the total cost of claims incurred in 2024 will be $2.1 million, based on an analysis of Local ICI incurred claim costs from 2018 through 2023. The calculation of the liability for IBNR claims is provided below:

TABLE 2.4
IBNR LIABILITY CALCULATION AS OF DECEMBER 31, 2024

A. Estimated Incurred Claims in 2024	$2,134,577
B. Assumed Proportion of Unreported Claims	26.0%
C. IBNR Liability as of December 31, 2024 (A x B)	**$554,990**

Loss Adjustment Expenses

The liability for loss adjustment expenses was calculated using the following administrative fees that vary by claim duration, because administration tends to be more intensive for claims in early durations. The Hartford will raise the annual retainer fee for administering ICI claims by 18% in 2025 and by 6.3% in 2026, so we applied adjustments our prior valuation assumptions to develop the fee schedule below. The prior valuation assumptions also varied by claim duration and were validated using experience from 2022 and 2023. Additionally, we included a 2% inflation assumption for estimating future fees beyond 2026 which is based on the Federal Reserve's long-term inflation target. Inflation is one of many variables that could affect future claim expense costs. There are, however, other variables that could affect future claim administration costs which we have not modeled directly, including for example changes in technology, cultural attitudes, the regulatory and litigation environments etc., which are not as easy to quantify.

TABLE 2.5
ASSUMED CLAIM ADMINISTRATION FEES

FEE COMPONENT	ASSUMED AMOUNT 2025	ASSUMED AMOUNT 2026
One-time new claim fee	$1,756 per new claim	$1,866 per new claim
Monthly fee, first two years	$154 per month	$163 per month
Monthly fee, years 3 +	$78 per month	$83 per month

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 claim administration fees, projected using the same claim termination rate assumptions as those used for calculating the open claim liabilities. For IBNR claims, we assumed the one-time new claim fee applies to 51 claims unreported as of the valuation date, representing 26% of the average number of new claims per year between 2018 and 2023. We assumed that most of these claims (98.5%) would be reported in 2025 and that the remainder would be reported in 2026. We estimated the loss adjustment expense liability for ongoing monthly fees for IBNR claims based on the relationship between the IBNR claim liability to the open claim liability. The estimated loss adjustment expense liabilities as of December 31, 2024 are shown below for Local ICI open claims, IBNR claims, and in total.

TABLE 2.6
LIABILITY FOR LOSS ADJUSTMENT EXPENSES AS OF DECEMBER 31, 2024

LIABILITY COMPONENT	ESTIMATED LIABILITY
Open claims	$473,153
IBNR claims	$125,306
Total	**$598,460**

Local ICI Funding Analysis

We performed a funding analysis based on the Local ICI reserve balance as of December 31, 2024 and a projection of estimated future experience for the plan. The reserve remained approximately the same at $43.9 million as of December 31, 2023 and December 31, 2024. There were no premium contributions in 2024 because premiums have been waived since 2012 due to excess surplus in the Local ICI reserves relative to the target level. The reserve balance is equal to 527% of the actuarial liability as of December 31, 2024, which is significantly higher than the target range of 145% to 155% established by the Group Insurance Board for the Local ICI plan.

TABLE 3.1
LOCAL ICI FUNDING ANALYSIS

BALANCE SHEET COMPONENT		2022	2023	2024
A.	**Beginning Reserve Balance**	**$43,754,728**	**$43,220,815**	**$43,924,074**
B.	Adjustments	($3,194)	$19,344	($8,171)
C.	Adjusted Beginning Reserve Balance	$43,751,534	$43,240,159	$43,915,903
D.	Premium Contributions	$0	$0	$0
E.	Investment Earnings	$2,635,324	$3,668,614	$3,046,325
F.	Insurance Claims	$2,502,592	$2,186,108	$2,006,700
G.	Administrative Expenses	$663,451	$798,591	$1,007,288
H.	**Ending Reserve Balance (C + D + E – F – G)**	**$43,220,815**	**$43,924,074**	**$43,948,240**
I.	Actuarial Liability	$8,201,033	$7,518,161	$8,346,479
J.	Surplus (H – I)	$35,019,782	$36,405,913	$35,601,761

We developed a financial projection to demonstrate the long-term performance of the Local ICI reserve. The projection is provided in Appendix A and reflects actual experience for 2024 and projected experience for 2025 and beyond. The key elements of this projection 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 6% every year based on Local ICI enrollment trends observed between 2020 and 2023.

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

- **Investment Income**: Smoothed investment income on assets backing reserves. The annual investment income in 2025 and beyond is projected as 6.8% of the reserve balance at the beginning of the year.

- **Insurance Claims**: Annual insurance claims are the sum of projected payments on existing claims as of December 31, 2024, and payments on expected future claims incurred after December 31, 2024. Insurance claims for 2025 and beyond are equal to 0.49% of payroll based on historical State ICI experience from 2018 through 2023, which includes explicit margin of 5%. 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**: Carrier administrative expenses are modeled based on known increases in 2025 and 2026, then assumed to increase proportionally with paid claims. Other administrative expenses are modeled as a constant percentage of paid insurance claims.

- **Ending Reserve Balance**: The ending reserve 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, 2024 and of the increasing liability for new claims incurred after December 31, 2024.

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

- **Fund Ratio**: Ratio of Local ICI reserve balance to the actuarial liability. The target fund ratio range for the Local ICI plan is 145% to 155% of the actuarial liability.

The financial projection is included in Appendix A and indicates that the Local ICI plan is expected to maintain a significant level of surplus for the foreseeable future. In 2019, the Board approved a fund ratio 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. It is therefore reasonable to continue waiving the premium contribution on this plan for the near term.

The financial projections shown below 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

We developed financial projections for the Local ICI plan based on the following scenarios:

- **Baseline Scenario**: Premium contributions are waived indefinitely beginning in 2012. The fund ratio is projected to decrease steadily over the projection period, resulting in a reduction of the fund ratio from 527% as of December 31, 2024 to 176% as of December 31, 2030.
- **Scenario 1**: Baseline scenario with a -15% Net Investment Return in 2025 followed by 6.8% returns in all future years. The fund ratio is projected to decrease rapidly from 527% as of December 31, 2024 to 97% as of December 31, 2030 which is below the target surplus level.
- **Scenario 2**: Baseline scenario with claim termination rates reduced by 10%. In this scenario liabilities are assumed to be recalculated accordingly. 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.

We will be reevaluating target surplus levels later this year. As part of this analysis, we will consider insurance risk in addition to other types of risks which could result in higher or lower target surplus levels than the current target range.

Local ICI Financial Projection

Baseline Scenario: Premium Contributions Waived

	Actual	Projected -->					
Calendar Year	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
BOY Reserve Balance	$43,915,903	$43,948,240	$43,428,404	$42,180,556	$40,222,167	$37,479,713	$33,919,575
Premium Contributions	$0	$0	$0	$0	$0	$0	-
Investment Income	$3,046,325	$2,988,480	$2,953,131	$2,868,278	$2,735,107	$2,548,620	$2,306,531
Total Revenues	$3,046,325	$2,988,480	$2,953,131	$2,868,278	$2,735,107	$2,548,620	2,306,531
Insurance Claims	$2,006,700	$2,328,951	$2,856,936	$3,282,444	$3,725,093	$4,154,348	$4,585,633
Carrier Administrative Expenses	$531,600	$627,288	$666,807	$766,121	$869,435	$969,623	$1,070,284
Administrative Expense	$475,688	$552,078	$677,236	$778,103	$883,033	$984,788	$1,087,024
Total Operating Expenses	$3,013,988	$3,508,316	$4,200,979	$4,826,667	$5,477,561	$6,108,759	$6,742,941
Net Change in Reserve Balance	$32,337	($519,836)	($1,247,848)	($1,958,390)	($2,742,454)	($3,560,138)	($4,436,410)
EOY Reserve Balance	$43,948,240	$43,428,404	$42,180,556	$40,222,167	$37,479,713	$33,919,575	$29,483,165
Actuarial Liability	$8,346,479	$9,844,929	$11,165,592	$12,491,159	$13,828,454	$15,217,750	$16,708,974
Surplus / (Deficit)	$35,601,761	$33,583,475	$31,014,965	$27,731,007	$23,651,259	$18,701,825	$12,774,190
Fund Ratio	**527%**	**441%**	**378%**	**322%**	**271%**	**223%**	**176%**

Scenario 1: Baseline scenario with a -15% Net Investment Return in 2025

	Actual	Projected -->					
Calendar Year	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
BOY Reserve Balance	$43,915,903	$43,948,240	$33,847,688	$31,948,351	$29,294,172	$25,808,614	$21,454,841
Premium Contributions	$0	$0	$0	$0	$0	$0	-
Investment Income	$3,046,325	($6,592,236)	$2,301,643	$2,172,488	$1,992,004	$1,754,986	$1,458,929
Total Revenues	$3,046,325	($6,592,236)	$2,301,643	$2,172,488	$1,992,004	$1,754,986	1,458,929
Insurance Claims	$2,006,700	$2,328,951	$2,856,936	$3,282,444	$3,725,093	$4,154,348	$4,585,633
Carrier Administrative Expenses	$531,600	$627,288	$666,807	$766,121	$869,435	$969,623	$1,070,284
Administrative Expense	$475,688	$552,078	$677,236	$778,103	$883,033	$984,788	$1,087,024
Total Operating Expenses	$3,013,988	$3,508,316	$4,200,979	$4,826,667	$5,477,561	$6,108,759	$6,742,941
Net Change in Reserve Balance	$32,337	($10,100,552)	($1,899,336)	($2,654,180)	($3,485,557)	($4,353,773)	($5,284,012)
EOY Reserve Balance	$43,948,240	$33,847,688	$31,948,351	$29,294,172	$25,808,614	$21,454,841	$16,170,830
Actuarial Liability	$8,346,479	$9,844,929	$11,165,592	$12,491,159	$13,828,454	$15,217,750	$16,708,974
Surplus / (Deficit)	$35,601,761	$24,002,759	$20,782,760	$16,803,012	$11,980,160	$6,237,091	($538,145)
Fund Ratio	**527%**	**344%**	**286%**	**235%**	**187%**	**141%**	**97%**

Scenario 2: Baseline scenario with claim termination rates reduced by 10%

	Actual	Projected -->					
Calendar Year	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
BOY Reserve Balance	$43,915,903	$43,948,240	$43,310,110	$41,834,824	$39,533,567	$36,331,534	$32,190,448
Premium Contributions	$0	$0	$0	$0	$0	$0	-
Investment Income	$3,046,325	$2,988,480	$2,945,087	$2,844,768	$2,688,283	$2,470,544	$2,188,950
Total Revenues	$3,046,325	$2,988,480	$2,945,087	$2,844,768	$2,688,283	$2,470,544	2,188,950
Insurance Claims	$2,006,700	$2,424,577	$3,034,288	$3,532,400	$4,043,305	$4,538,438	$5,033,339
Carrier Administrative Expenses	$531,600	$627,288	$666,807	$776,271	$888,546	$997,355	$1,106,113
Administrative Expense	$475,688	$574,746	$719,278	$837,355	$958,465	$1,075,836	$1,193,152
Total Operating Expenses	$3,013,988	$3,626,611	$4,420,373	$5,146,025	$5,890,316	$6,611,629	$7,332,605
Net Change in Reserve Balance	$32,337	($638,130)	($1,475,286)	($2,301,257)	($3,202,033)	($4,141,085)	($5,143,655)
EOY Reserve Balance	$43,948,240	$43,310,110	$41,834,824	$39,533,567	$36,331,534	$32,190,448	$27,046,794
Actuarial Liability	$8,757,097	$10,640,329	$12,318,063	$13,990,711	$15,675,037	$17,417,696	$19,277,399
Surplus / (Deficit)	$35,191,143	$32,669,780	$29,516,761	$25,542,856	$20,656,497	$14,772,753	$7,769,395
Fund Ratio	**502%**	**407%**	**340%**	**283%**	**232%**	**185%**	**140%**

Appendix B: Plan Description

The Local ICI Plan provides short-term 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:

TABLE B.1

LOCAL ICI MAXIMUM BENEFIT PERIOD

AGE AT DISABLEMENT	MAXIMUM BENEFIT PERIOD
On or Before 60th Birthday	To Age 65
After 60th Birthday	5 Years

- **Benefit Amount**: The basic benefit is equal to 75% of average monthly wages up to $7,500 per month (representing $120,000 of annual covered payroll).

- **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 have been waived since 2012.

Appendix C: Data for Valuation

This appendix contains demographic summaries for Local ICI open claims as of December 31, 2024. There were 102 open claims as of the valuation date. Tables C1 and C2 below show the distribution of Local ICI open claims by gender and disability year, and by gender and disability age, respectively.

TABLE C1
LOCAL ICI OPEN CLAIMS AS OF DECEMBER 31, 2024
BY DISABILITY YEAR AND GENDER

Disability Year	Male	Female	Total
2001 and earlier	1	2	3
2002	0	0	0
2003	1	0	1
2004	0	2	2
2005	0	1	1
2006	1	1	2
2007	0	0	0
2008	0	0	0
2009	2	2	4
2010	3	0	3
2011	2	0	2
2012	0	0	0
2013	1	1	2
2014	1	1	2
2015	2	0	2
2016	5	0	5
2017	1	1	2
2018	0	1	1
2019	3	1	4
2020	4	2	6
2021	6	6	12
2022	5	4	9
2023	2	3	5
2024	15	19	34
Total	**55**	**47**	**102**

TABLE C2
OPEN AND PENDING OPEN LOCAL ICI CLAIMS AS OF DECEMBER 31, 2024
BY DISABILITY AGE AND GENDER

Disability Age	Male	Female	Total
Under 20	0	0	0
20-24	1	0	1
25-29	2	2	4
30-34	6	6	12
35-39	5	5	10
40-44	11	5	16
45-49	10	7	17
50-54	5	9	14
55-59	8	6	14
60-64	6	7	13
65 or above	1	0	1
Total	**55**	**47**	**102**

Tables C3 and C4 show the distribution of Local ICI net monthly benefit amounts as of December 31, 2024 by year of disability and gender, and by age at disability and gender, respectively.

TABLE C3
LOCAL ICI NET MONTHLY BENEFIT AMOUNTS AS OF DECEMBER 31, 2024
BY YEAR OF DISABILITY AND GENDER

Disability Year	Male	Female	Total
2001 and earlier	$366	$1,604	$1,970
2002	0	0	0
2003	3,023	0	3,023
2004	0	1,703	1,703
2005	0	133	133
2006	857	192	1,049
2007	0	0	0
2008	0	0	0
2009	215	1,486	1,701
2010	4,863	0	4,863
2011	1,364	0	1,364
2012	0	0	0
2013	198	67	265
2014	510	2,080	2,590
2015	1,906	0	1,906
2016	8,569	0	8,569
2017	1,863	321	2,185
2018	0	1,605	1,605
2019	2,557	518	3,075
2020	6,920	1,127	8,048
2021	9,855	12,037	21,892
2022	8,102	3,831	11,933
2023	6,671	7,098	13,769
2024	54,974	59,771	114,745
Total	**$112,813**	**$93,574**	**$206,387**

TABLE C4
LOCAL ICI NET MONTHLY BENEFIT AMOUNTS AS OF DECEMBER 31, 2024
BY DISABILITY AGE AND GENDER

Disability Age	Male	Female	Total
Under 20	$0	$0	$0
20-24	4,063	0	4,063
25-29	5,638	7,125	12,762
30-34	18,157	5,189	23,345
35-39	7,932	14,755	22,687
40-44	21,850	7,112	28,962
45-49	14,208	10,094	24,301
50-54	9,243	22,782	32,025
55-59	11,417	11,487	22,904
60-64	17,307	15,032	32,338
65 or above	3,000	0	3,000
Total	**$112,813**	**$93,574**	**$206,387**

TABLE C5
LOCAL ICI OPEN CLAIMS AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2024
BY CAUSE OF DISABILITY

CAUSE OF DISABILITY	12/31/2023		12/31/2024	
	Count	Percentage	Count	Percentage
Back	15	15%	18	18%
Cancer	7	7%	8	8%
Circulatory	6	6%	6	6%
Digestive	0	0%	0	0%
Ill-defined and Misc Conditions	4	4%	4	4%
Injury other than back	11	11%	9	9%
Maternity	0	0%	3	3%
Mental and Nervous	14	14%	14	14%
Nervous System	13	13%	13	13%
Other	6	6%	6	6%
Other Musculoskeletal	21	22%	21	21%
Total	**97**	**100%**	**102**	**100%**

Appendix D: Actuarial Methods and Assumptions

- **Valuation Date**: December 31, 2024

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

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

TABLE D1

CLAIM TERMINATION RATE ADJUSTMENT FACTORS TO 2012 GLTD

DISABILITY DURATION	ADJUSTMENT FACTOR
1 – 12 months	1.20
13 – 24 months	1.60
25 – 36 months	0.85
37 – 48 months	0.40
49 – 60 months	0.25
61 -120 months	0.85
121 + months	1.30

- **Estimated Offset Assumptions**: Estimated Social Security, Other Disability, and Pension/retirement offset assumptions were derived from ICI program experience and are provided below:

TABLE D2

CUMULATIVE SSDI APPROVAL PROBABILITIES

	DURATION AS OF VALUATION DATE (YEARS)							
PROJECTED DURATION (YEARS)	1	2	3	4	5	6	7	8+
1	0%							
2	11%	0%						
3	29%	10%	0%					
4	43%	26%	9%	0%				
5	55%	43%	29%	13%	0%			
6	65%	55%	45%	32%	7%	0%		
7	69%	61%	52%	41%	19%	5%	0%	
8+	71%	63%	54%	44%	24%	11%	0%	0%

TABLE D3

CUMULATIVE OTHER DISABILITY APPROVAL PROBABILITIES

	DURATION AS OF VALUATION DATE (YEARS)							
PROJECTED DURATION (YEARS)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8+**
1	0%							
2	3%	0%						
3	14%	8%	0%					
4	26%	20%	6%	0%				
5	35%	30%	17%	7%	0%			
6	39%	35%	23%	13%	0%	0%		
7	39%	35%	23%	13%	0%	0%	0%	
8+	39%	35%	23%	13%	0%	0%	0%	0%

TABLE D4

CUMULATIVE PENSION/RETIREMENT APPROVAL PROBABILITIES

	DURATION AS OF VALUATION DATE (YEARS)		
PROJECTED DURATION (YEARS)	**1**	**2**	**3+**
1	0%		
2	10%	0%	
3+	21%	0%	0%

We also assumed offset amounts equal to 45% of the gross benefit amount for estimated SSDI benefits, 36% of the gross benefit amount for estimated Pension/Retirement benefits, and 50% of the gross benefit amount for estimated Other Disability benefits.

- **Incurred But Not Reported Claims**: 26% of the estimated incurred claims for the current year, determined from analyses of historical Local ICI claims experience.

- **Overpayment Credit**: We assume that 75% of the December 31, 2024 overpayment balance will eventually be recovered, and we applied this amount as an offset to the total liability. This assumption is based on an analysis performed by Milliman in 2022-23.

- **Loss Adjustment Expenses**: Assumed claim administration fees are provided below, which are assumed to increase 2% per year beginning in 2027:

TABLE D5

ASSUMED ADMINISTRATIVE FEES

FEE COMPONENT	ASSUMED AMOUNT 2025	ASSUMED AMOUNT 2026
One-time new claim fee	$1,756 per new claim	$1,866 per new claim
Monthly fee, first two years	$154 per month	$163 per month
Monthly fee, years 3 +	$78 per month	$83 per month

- **Other Assumptions**: We make a variety of assumptions in our analysis which may create additional conservatism or in some cases understate liabilities. In general, we believe the impact of these assumptions is minimal unless otherwise stated. These other assumptions are documented below:

    - For STD claims yet to receive $75 additional benefits, these benefits are estimated by assuming they will not be offset by benefits from other sources which adds conservatism.
    - Unknown genders are assumed to be female which based on our testing is generally a conservative assumption.
    - Pending claims (if any) are assumed to have the same claim termination rates as open claims, which could be a conservative assumption (although there were no pending claims as of December 31, 2024).
    - Claims are assumed to have a change in the definition of disability 12 months following the end of their EP, opposed to after 12 months of disability.
    - LTD claims are generally assumed to have a one-month elimination period, given that the local plan has been on premium waiver for a significant period of time. It is possible that this understates the liability slightly opposed to if a six-month elimination period was assumed.
    - Since it is difficult to know what the true offset patterns will look like some judgment was used to smooth the estimated offset assumptions. It is possible that this introduces some conservatism.
    - The starting LAE IBNR initial fee component was not discounted which may introduce some slight conservatism.
    - IBNR reserves include 10% explicit margin for the local plan.
    - IBNR liabilities are based on historical incurred claim levels, and assume that those levels will be similar to the current year. It is possible that increases in covered payroll may impact the incurred claims.
    - Historical runout study payments are based on payment files from prior years, and we do not update historical payments every year. It is possible that some older payments have been updated or corrected on the latest files.
    - The overall runout study results include starting and ending credits for overpayment balances. Any individual who did not have an overpayment balance at the beginning of the period is assumed not to have an overpayment balance at the end of the period. This may overstate the ending liability and therefore understate the runout study overall margin.
    - Claim costs in the projections include 5% margin.
    - For claims that have not been awarded benefits from other sources, we do not attempt to estimate what the overpayment may be on these claims if any.

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 was incomplete or inaccurate, the results of our work may be materially affected.

The principal items on which we relied included the following:

- Lists of open disability claims and related information provided by The Hartford;
- Reserve balances, premium contributions, plan expenses, covered payroll, and other financial information provided by ETF;
- Plan descriptions provided by ETF; and
- Discussions with ETF and staff at The Hartford.

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