**Appendix 2 - ETD0056**

**Duty Disability Insurance**

**Scope of Work & Technical Questionnaire**

**Review the background and scope of work and then provide responses to this technical questionnaire.**

**1.0 Duty Disability Insurance Program Background**

The Duty Disability Insurance Program (Program) is an income replacement program that is available to Wisconsin Retirement System (WRS)-participating Employees whose positions are classified as “protective”, such as police officers and firefighters. Duty disability insurance benefits may be payable to protective occupation Employees who have been injured while performing their job duties or who have contracted a disease due to their occupation.

The Duty Disability Insurance Program provides a lifetime disability benefit under Wis. Stat. § 40.65. If the participant dies as a result of the injury or disease, their surviving spouse or children may be entitled to benefits. The Department of Employee Trust Funds administers this disability benefit.

To be considered eligible for duty disability insurance benefits, the Employee must meet all of the following conditions:

1. They were employed in a protective occupation position when they became disabled;
2. Their disability is work-related;
3. Their disability is permanent; and
4. Their disability has caused them to meet at least one of the following qualifying criteria:

* Permanent reduction of base pay or position;
* Permanent assignment to light duty;
* Retirement; or
* Adversely affected promotional opportunities.

Upon approval of a benefit application, State Employees receive 80% of their monthly salary and Local Government Employees receive 75%-80% of their monthly salary. Benefit reductions may occur for Local Government Employees with over 25 years of service. Duty disability insurance benefits are offset (reduced) by other benefits, including Social Security Administration benefits, unemployment compensation, worker’s compensation, WRS retirement benefits, and other earnings.

Approximately 1,000 claimants were receiving a duty disability insurance benefit as of December 31, 2022. The Program paid $37.2 million in claims in 2022.

The Duty Disability Insurance Program is funded by Employer contribution rates set by the ETF Board in Wis. Stat. § 40.05(2)(ar). There are no required Employee contributions except for certain county jailors beginning in 2024 per Wis. Stat. § 40.05(2)(ar)2. Contribution rates are determined by an annual actuarial valuation, are approved by the ETF Board, and are assessed based on the claims experience of each Employer. Experience studies are also performed where actuarial assumptions and methods are reviewed and compared to actual experience.

The following materials are referenced to assist Proposers.

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| **Document** | **Web Address** |
| Duty Disability and Survivor Benefits | [Duty Disability and Survivor Benefits (wi.gov)](https://etf.wi.gov/publications/et5103/download?inline=) |
| 2022 Duty Disability Program Actuarial Valuation Report | [Duty Disability Program Actuarial Valuation 2022 | ETF (wi.gov)](https://etf.wi.gov/resource/duty-disability-program-actuarial-valuation-2022) |
| 2016-2022 Duty Disability Experience Study | [ETF - Memo - DD Insurance Experience Studies - 06.22.23 (wi.gov)](https://etf.wi.gov/boards/etf/2023/06/22/etf4c/download?inline=) |

**2.0** **Scope of Work for Duty Disability Insurance Audit**

This actuarial audit shall provide an independent verification and analysis of the assumptions, procedures, and methods used by the Department’s consulting actuary, Milliman, for the Duty Disability Insurance Program Annual Actuarial Valuation as of December 31, 2023 as well as the most recent experience study conducted in 2023. The verifications will consist of full replication of the actuarial valuation, based on the same census data, assumptions, and actuarial methods used by the consulting actuary. In addition, the reviewing actuary will examine the consulting actuary’s methods and assumptions for reasonableness and consistency, including an independent review of the experience study performed by the Department’s consulting actuary. As part of the independent verification analysis of the actuarial valuation, the actuarial audit may include the following elements and activities:

a) Data Validity

Assessment of the validity, completeness, and appropriateness of the demographic and financial information used by the Department’s consulting actuary in the valuation of the Duty Disability Insurance Program and its appropriate inclusion in the actuarial valuations.

b) Actuarial Valuation Method and Procedures

Assessment of whether the actuary's valuation method and procedures are reasonable and consistent with generally accepted actuarial standards and practices; are appropriate for the Duty Disability Insurance Program structure and funding objectives; are applied as stated by the actuary; and incorporate all statutory requirements governing the Duty Disability Insurance Program.

If deviations from accepted actuarial standards are found during the audit, the Contractor should obtain the rationale for the deviations and determine their effects. Further, the Contractor should review and assess steps the consulting actuary has taken to implement applicable Actuarial Standards of Practice.

c) Actuarial Valuation Assumptions

Assessment of whether the actuarial valuation assumptions are reasonable and consistent with generally accepted actuarial standards and practices; are reasonable based on the Duty Disability Insurance Program experience; and are appropriate for the Duty Disability Insurance Program structure and funding objectives. There should be a review of the assumptions/methods in the experience study.

As part of this assessment, the Contractor should also consider and specifically address whether actual experience is appropriately evaluated in the experience study conducted by the Department’s consulting actuary and whether the experience study supports the actuary's decisions to change or maintain certain assumptions.

If the Contractor recommends assumption adjustments to more accurately reflect present and future assets, liabilities, and costs of the Duty Disability Insurance Program, the Contractor must provide a detailed rationale for their recommendation and describe the general effect on the condition of the Duty Disability Insurance Program resulting from the proposed changes in assumptions.

**Anticipated Work Product:** The Contractor shall submit an electronic copy of the final written report and a PowerPoint presentation regarding the final report to the Department. The final written report and presentation will be distributed to the ETF Board and to any other persons upon request. The report and presentation will be subject to disclosure under Wisconsin open records law. The Department reserves the right to use and reproduce all reports and data produced and delivered pursuant to any contract, including publication of the report on the Department’s website, and reserves the right to authorize others to use or reproduce such materials.

The final written report shall include, at a minimum:

1. An overall opinion as to the reasonableness and accuracy of the actuary's conclusions and the conformance of the actuary's work with generally accepted actuarial standards and practices.

2. An overview of the scope of the review, including a brief description of the procedures performed to arrive at the conclusions reached or recommendations for improvement.

3. A detailed description of each audit exception and the estimated effect of each exception.

4. Any recommendations for improvement.

**Timing of Audit Services:**

The December 31, 2023, actuarial valuation will be available for audit following the June 20, 2024 ETF Board meeting. Following preparation, review, and discussion of a preliminary report with the Department as described below, the final written report and presentation must be submitted to the Department by August 23, 2024 (for presentation at the September 19, 2024 ETF Board meeting) or by November 15, 2024 (for presentation at the December 12, 2024 ETF Board meeting).

A second audit is anticipated five years later, in 2029 if an option to extend the Contract is granted by the Board and the scope of work and pricing is agreed to by the parties in a contract amendment.

**Briefings:** At a minimum, the Contractor should be prepared to make the following briefings via conference call:

1. Audit progress reports to Department staff, upon request.

2. Presentation of the content of the preliminary and final report drafts to the Department and the Department’s consulting actuary.

3. An in-person educational briefing and explanation of the final audit report at the September or December 2024 meeting of the ETF Board.

**Exit Conference**: In addition to the briefing of the preliminary report with the Department, the Contractor may be required to attend an exit conference to provide an opportunity for the Department’s consulting actuary and Department staff to discuss the preliminary report with the Contractor. The purpose of the exit conference would be to identify possible errors in the report and discuss the findings and recommendations.

**Workpapers:** As part of reviewing the results of the audit, the Department may review and duplicate workpapers prepared by the Contractor. The Contractor also shall be available to answer Department staff questions.

**Project Execution and Administration:** The Contractor will be responsible for arranging needed meetings with the consulting actuary and the Department. The Department will designate a liaison to assist in scheduling these meetings. The Contractor will be responsible for all travel arrangements and expenses, and clerical support. No Department staff will be involved in conducting the field work, analysis, or writing of the required reports.

**3.0 Technical Questionnaire**

This section is scored. It is worth 900 maximum points. See RFP Section 7.

**a) Executive Summary**

Provide a narrative summary of the Proposal being submitted. This summary should identify all the services and work products that are being offered in the Proposal and should demonstrate the Proposer’s understanding of the project.

**b) Proposer Capabilities and Experience:**

Describe the Proposer’s capabilities and recent experience (during the last two years) in performing actuarial valuations, actuarial audits, or studies of public employee benefit programs. The Proposer should include information on the types and sizes of similar public employee benefit programs for which past work has been performed, including the following information about each system:

* The types and number of participating employers;
* The types and number of participants;
* The type of services provided and the number of years the services were performed; and
* Other relevant indicators of plan type, size, and comparability to the Wisconsin Duty Disability Insurance Program.

The Proposer is advised to be as complete as possible in describing all valuations, actuarial audits, or studies of public employee benefit programs it has completed in the last two years. The Proposer is encouraged to highlight work performed for programs having qualities comparable to the Wisconsin Duty Disability Insurance Program.

The Proposer should include other information it believes may be relevant in demonstrating its capabilities in performing each actuarial audit, including other professional experience and data processing capabilities, and experiences related to performing actuarial valuations or actuarial reviews.

In addition to the above, the Proposer should describe any circumstance where Proposer’s organization has been removed or replaced from an audit engagement within the last 5 years. If none, please state so.

**c) Staff Qualifications:**

Describe the qualifications of all management and lead professional personnel who will participate in each component of the actuarial audit, include:

1. a **resume;**
2. a **summary of experience** each has had in performing actuarial valuations, actuarial audits or studies of public employee benefit programs, as well as any relevant continuing education; and
3. a **management plan** identifying the responsibilities each will have on the audit and the percentage of the audit each is anticipated to complete.

The **resume** should include information on the current and past positions held with the Proposer, educational background, actuarial and other relevant credentials, and other relevant information to demonstrate the personnel’s qualifications.

The **experience summaries** should include information on the types and sizes of public employee benefit programs for which the designated staff have completed actuarial work, including the types and number of participating employers, the types and number of participants, and other relevant indicators of plan type, size, and comparability to the Wisconsin Duty Disability Insurance Program. The Proposer is encouraged to highlight work performed for public employee benefit programs having qualities comparable to the Wisconsin Duty Disability Insurance Program, as well as actuarial reviews performed that are similar in scope to those being requested in the RFP. The *Proposer may reference rather than repeat, duplicative information provided in the PROPOSER EXPERIENCE section.* The experience summaries also should describe the work performed and detail the roles and responsibilities the individual staff had on the projects as well as relevant continuing education. The Proposer is advised to be as complete as possible in describing all actuarial work on public employee benefit programs, specifically experience with a full replication audit, completed by designated staff during the last two years.

The **management plan** should specify the roles and responsibilities that each of the Contractor’s management and professional staff who will work on the actuarial audit for the Department and include an estimation of the percentage each will contribute to the total audit. Include how long the project team has been working together. The management plan should also include how a possible departure of key professionals assigned to the actuarial auditing project would be handled.

In the event a proposed Contractor staff person must be replaced, the replacement must meet the same standards as outlined in the RFP and be acceptable to the Department. Failure to provide a new replacement acceptable to the Department will constitute a breach of the Contract.

**d) Proposed Methodology, Work Products, and Timeline:**

Describe the proposed **methodology** for addressing each of the components of the audit specified in Section 2.0 Scope of Work. The description should include specific techniques that will be used, including proposed sources of data and information. Proposers may propose alternative ways of addressing the elements of the audit scope.

In describing its proposed methodology, the Proposer should identify the type and level of assistance the Proposer anticipates needing from Department staff and the Department’s consulting actuary, including assistance to understand the operations and records of the Wisconsin Duty Disability Insurance Program; to understand the actuarial assumptions, methods, and procedures; and to access, obtain, and analyze information needed for the audit. The Proposer should identify meetings and interviews it anticipates needing with Department staff and Department’s consulting actuary.

Describe the final **work products**, including written reports, briefings, and availability of the workpapers as described in Section 2.0 Scope of Work. Include two or more examples of work products for actuarial valuations, actuarial audits, or experience studies of similar programs that may help to illustrate the proposed methodology and final work product.

Provide an estimated **timeline** for completion of the work that includes each stage of the process and the date the final reports will be submitted considering the timeline provisions outlined in this Appendix.

**e) Additional Information:**

Include additional information that will be essential for the Department to understand the Proposal. This may include changes you would suggest to the scope of work, diagrams, excerpts from reports, or other explanatory documentation that would clarify and/or substantiate the Proposal. Any material included in this section should be referenced elsewhere in the Proposal.