



State of Wisconsin  
 Department of Employee Trust Funds  
 4822 Madison Yards Way  
 Madison, WI 53705-9100  
 P. O. Box 7931  
 Madison, WI 53707-7931

## Contract by Authorized Board

### Commodity or Service:

### Contract No.:

Consulting Actuary for Wisconsin  
 Group Insurance and Disability Programs

ETD0013 – Amendment #10 dated November 1, 2019

**Contract Period:** January 1, 2019 through December 31, 2020

1. This Contract Amendment #10 is entered into by the State of Wisconsin, Department of Employee Trust Funds hereinafter referred to as the "Department," and Milliman, Inc., hereinafter referred to as the "Contractor," whose address and principal officer appear on page 3 below. The Department is the sole point of contact for this Contract.
2. Whereby the Department agrees to direct the purchase and the Contractor agrees to supply the Contract requirements cited herein in accordance with the State of Wisconsin standard terms and conditions and in accordance with the Contractor's proposal date February 17, 2014 hereby made a part of this contract by reference.
3. In connection with the performance of work under this Contract, the Contractor agrees not to discriminate against any employees or applicants for employment because of age, race, religion, color, handicap, sex, physical condition, developmental disability as defined in s.51.01(5), Wis. Stats., sexual orientation as defined in s.111.32(13m), Wis. Stats., or national origin. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor further agrees to take affirmative action to ensure equal employment opportunities. The Contractor agrees to post in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.
4. Contracts estimated to be over fifty thousand dollars (\$50,000) require the submission of a written affirmative action plan. Contractors with an annual work force of less than fifty (50) employees are exempted from this requirement. Within fifteen (15) business days after the award of the Contract, the plan shall be submitted for approval to the Department. Technical assistance regarding this clause is provided by the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931, 608.266.2586, or via e-mail at [ETF\\_SMBProcurement@etf.wi.gov](mailto:ETF_SMBProcurement@etf.wi.gov).
5. This initial contract period is for fifteen (15) months. Each contract period annually will be for twelve (12) months and extend unless and until either party gives the other 180 days' notice of their intent to cancel the contract.
6. The Contract Amendment 1 is to add Milliman's Proposal for Disability Plan Design Analysis Scope of Work dated January 13, 2015 (amended March 26, 2015). Task reimbursement amounts are eligible for payment from Table 1, when ETF gives written acceptance of the tasks satisfactory receipt and will cost no more than \$75,000. All task estimated timeframes are mutually agreed upon and deviations must be mutually agreed upon. The Contract Amendment 1 may be amended to reflect any change in tasks' estimated timeframes, additional requested work or costs associated with additional work requests. The Additional Plan Design Options (APDO) for researching the plan design for similar employers, including other state systems and large public sector plans will cost no more than \$5,000. Reimbursement for the APDO work is eligible for payment when ETF gives written acceptance of satisfactory receipt. All travel expenses associated with the services for this amendment shall be billed at actual costs, be reasonable for the work conducted, and when appropriate, be at state approved rates. Contract Amendment 1 is for the total cost not to exceed \$80,000.
7. The Contract Amendment 2 is dated February 3, 2016 for the consulting actuary related services, with the costs not to exceed \$118,450.
8. Article 6 above is amended to add expanded project analysis work on the Income Continuation Insurance (ICI) program and hereby incorporated by reference the Milliman letter dated January 21, 2016 for the Disability Plan Design Work. Delivery date for this expanded project analysis is June 30, 2016. The expanded analysis project, project delivery date, and an additional amount of \$25,000 has been mutually agreed upon. The original amounts from Article 7 and the additional amount included in this article are in addition to the contract amount for the consulting actuary related services specified in Article 8.

9. The Contract Amendment 3 is dated September 23, 2016 for the GASB 74 Implementation Planning, with the costs not to exceed \$71,000.
10. The Contract Amendment 4 is dated February 13, 2017 for the consulting actuary related services, with the costs not to exceed \$120,712.
11. The Contract Amendment 4 is dated February 13, 2017 and amends Contract Amendment 1 Scope of Work dated March 26, 2015, as permitted in Article 6 to include costs associated with additional work requests in the amount of \$5,000 and to remove provisions in Article 6 related to APDO work. The total cost for these services are not to exceed \$5,000 and are not included in Section 10 above costs.
12. The Contract Amendment 5 is dated January 5, 2018 for consulting actuary related services, with the costs not to exceed \$123,332.
13. The Contract Amendment 6 is dated June 22, 2018 and adds Amendment 6A which documents Contractor's scope of work, detailed in Attachment 6A, and clarifies payment is to be made by the Department's third party administrator of the Life Insurance Program to Contractor, and also adds Amendment 6B which documents the scope of Contractor's presentation related to the new GASB standards 74 and 75 impacting the valuation of the Retiree Life Insurance programs (State and Local plans) to the Wisconsin Group Insurance Board on August 22, 2018, the costs for which are not to exceed \$4,500.
14. The Contract Amendment 7 is dated October 2, 2018 which documents Contractor's scope of work detailed in Milliman's September 24, 2018 letter (attached), the costs for which are not to exceed \$25,000 and all work completed prior to the November 14, 2018 Group Insurance Board meeting.
15. The Contract Amendment 8 is dated January 17, 2019 which documents:
  - Contractor's scope of work detailed in Contractor's December 19, 2018 letter to the Department (attached) for actuarial audit of accumulated sick leave conversion credit program valuation wherein costs shall not exceed \$35,000; and
  - The consulting actuary related services, with the costs not to exceed \$126,021 for calendar year 2019.
16. The Contract Amendment 9 is dated October 25, 2019 and includes Contractor's letter to the Department dated October 14, 2019 (attached) with the agreed upon statement of work for services related to the Department's Group Life Insurance Request for Proposals, the costs for which shall not exceed \$32,000.
17. This Contract Amendment 10 is dated November 1, 2019 and includes Contractor's letter to the Department dated October 15, 2019 (attached) with the agreed upon statement of work for services related to the Department's Experience Studies for Duty Disability and Income Continuation Insurance Programs, the costs for which shall not exceed \$75,000.
18. For purposes of administering the Contract, the Order of Precedence is:
  - A. The Contract with Milliman, Inc. dated July 31, 2014;
  - B. this Contract Amendment 10 dated November 1, 2019;
  - C. the Contract Amendment 9 dated October 25, 2019;
  - D. the Contract Amendment 8 dated January 17, 2019;
  - E. the Contract Amendment 7 dated October 2, 2018;
  - F. the Contract Amendment 6 dated June 28, 2018;
  - G. the Contract Amendment 5 dated January 5, 2018;
  - H. the Contract Amendment 4 dated February 13, 2017;
  - I. the Contract Amendment 3 dated September 23, 2016 and Milliman letter dated September 14, 2016;
  - J. the Contract Amendment 2 dated February 3, 2016 and Milliman letter dated January 21, 2016;
  - K. the Contract Amendment 1 dated March 26, 2015;
  - L. questions from vendors and ETF Answers dated January 28, 2014;
  - M. Exhibit A, Changes Agreed to by the Parties from the Request for Proposal (RFP) ETD0013;
  - N. Exhibit B, Business Associates Agreement dated June 3, 2014;
  - O. the RFP dated January 6, 2014; and,
  - P. Contractor's proposal dated February 17, 2014.

Signatures follow on the next page.

**Contract Number and Service:** ETD0013-Amendment #10  
 Consulting Actuary for Wisconsin Group Insurance and Disability Programs

This Contract Amendment shall become effective upon the date of last signature below (the "Effective Date").

<b>State of Wisconsin Department of Employee Trust Funds</b>	
<b>Signature</b>	DocuSigned by: <i>Robert J. Conlin</i>
<b>Name/Title</b>	249598FF085F431... Robert J. Conlin Secretary, Department of Employee Trust Funds
<b>Phone</b>	608.266.0301
<b>Date</b>	11/1/2019

<b>Contractor</b>	
<b>Legal Company Name</b>	Milliman, Inc.
<b>Trade Name</b>	Milliman
<b>Taxpayer Identification Number</b>	91-0675641
<b>Company Address (City, State, Zip)</b>	121 Middle Street Suite 401 Portland, ME 04101
<b>By (print Name)</b>	Daniel D. Skwire
<b>Signature</b>	DocuSigned by: <i>Daniel D. Skwire</i>
<b>Title</b>	6D8558A615D1484... Principal
<b>Phone</b>	207.771.1203
<b>Date</b>	11/1/2019



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milliman.com

October 15, 2019

Mr. Jim Guidry  
Bureau Director  
Benefit Services  
Wisconsin Department of Employee Trust Funds  
P.O. Box 7931  
Madison, WI 53707

**RE: Experience Studies for Duty Disability and Income Continuation Insurance Programs**

Dear Jim,

The Group Insurance Board and the Employee Trust Funds (ETF) Board recently approved motions to update certain valuation assumptions for the Duty Disability and Income Continuation Insurance (ICI) programs. In order to update the assumptions, we propose performing the following experience studies. Please note that we have split the assumptions into “Core Assumptions” (i.e., assumptions that play a key role in the valuation analysis) and “Other Assumptions” (i.e., assumptions that are not used in our valuation analysis but may be useful for other purposes). Please also note that we already perform some experience studies as part of our annual valuation work, such as liability runoff studies and funding analyses; therefore, we have not included these studies below.

**Core Assumptions**

1. Claim Termination Rate Study: We will perform claim termination rate studies for the Duty Disability and ICI programs, using historical claim experience from January 1, 2014 through June 30, 2019, as of September 30, 2019. The studies will involve calculating actual-to-expected (A/E) claim termination ratios to analyze recent trends in recoveries and deaths. For the ICI program, expected terminations will be based on the recovery and mortality rates from the 2012 Group Long-Term Disability Valuation Table. For the Duty Disability program, expected terminations will be based on the mortality rates from the 2018 WRS Experience Study. The results from these studies will be used to develop claim termination rate assumptions for the December 31, 2019 valuation of the ICI and Duty Disability programs. For Duty Disability, we will perform separate studies for disabled members and survivors.
2. Benefit Offset Study: We will analyze the impact of benefits from other sources (e.g., Social Security Disability Income (SSDI) benefits, LTDI and 40.63 benefits, etc.) on ICI and Duty Disability benefit payments, using historical experience from January 1, 2014 through June 30, 2019, as of September 30, 2019. For example, we will calculate the probability of being approved for SSDI benefits based on claim characteristics such as duration and diagnosis, and we will

calculate average SSDI benefit amounts, in order to develop an estimated SSDI offset assumption for valuation.

3. Duty Disability Death Benefit Study: We will analyze the percentage of Duty Disability claims that result in death benefits to surviving spouses and domestic partners. Currently, we assume that 33% of survivors will receive benefits upon the death of the disabled member. We will work with ETF to determine the data that is available to evaluate and potentially revise this assumption.

### Other Assumptions

4. Loss Ratio Study: We will perform a loss ratio study for the State ICI program using experience from January 1, 2014 through December 31, 2019, as of September 30, 2019. Loss ratios will be based on claims incurred during the experience period, and will take into consideration total benefit payments as well as the expected remaining liability for any claims still open as of the valuation date. The updated claim termination rate and estimated offset assumptions (from 1 and 2 above) will be used in the liability calculations. Loss ratios will be summarized across different segments, in order to understand the drivers of recent experience. The results will be useful for evaluating State ICI contribution rates and potential enhancements to the contribution rate structure.
5. Incidence Rate Study: We will perform incidence rate studies using ICI and Duty Disability claim experience from January 1, 2014 through June 30, 2019. We will calculate A/E incidence ratios to analyze trends in claim incidence across key segments such as gender, age, and occupation. Although incidence rate assumptions are not used directly in the liability calculations for the ICI and Duty Disability programs, the results from these studies will be useful for understanding recent trends in claim incidence, and they may be useful for revising the assumptions used in our financial projections.

We propose providing these services to ETF under our current consulting services agreement. We propose doing so on a time and expense basis, using the same hourly billing rates at which we perform our disability valuation services, at a cost not to exceed \$40,000 for the studies listed under "Core Assumptions" and \$35,000 for the studies listed under "Other Assumptions". To the extent that the scope of this work changes or additional work is required, we will request additional funds from ETF before proceeding further. If the proposed services and fees for this assignment are acceptable, then please feel free to prepare an amendment to the current contract between ETF and Milliman for these services. Please note that our proposed scope of work includes travel expenses related to finalist meetings.

Please contact me at 207-771-1204 or [paul.correia@milliman.com](mailto:paul.correia@milliman.com) if you have any questions on the content of this proposal. Thank you.

Sincerely,



Paul Correia, FSA, MAAA  
Principal and Consulting Actuary