



## Contract by Authorized Board

### Commodity or Service:

Consulting Actuary for Wisconsin  
 Group Insurance and Disability Programs

### Contract No.:

ETD0013 – Amendment #17 dated September 15, 2022

**Contract Period:** January 1, 2022 through December 31, 2022

1. This Contract Amendment #17 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 [ETFSMBProcurement@etf.wi.gov](mailto:ETFSMBProcurement@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. The 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. The Contract Amendment 11 dated January 2, 2020 is for consulting actuary related retainer services described in RFP ETD0013 with costs not to exceed \$128,604 for calendar year 2020.
19. The Contract Amendment 12 dated January 25, 2021 is for:
  - Consulting actuary related retainer services described in RFP ETD0013 with costs not to exceed \$130,122 for calendar year 2021.
  - Contractor's scope of work detailed in their January 21, 2021 letter (attached) to the Department regarding State and Local Retiree Life Insurance GASB 74 Implementation Services with costs not to exceed \$25,000.
  - Additional work beyond that described in the January 21, 2021 scope of work, including work responding to audit inquiries or the creation of multiple draft reports, for reasons other than correcting Milliman errors, will be invoiced to the Department at the hourly rates in the attached January 21, 2021 letter and will be itemized by amendment number, auditor name, auditor firm, hours, hourly rate, and type of work performed. In the event this additional work exceeds \$3,000, Contractor will obtain prior approval from the Department before proceeding.
20. The Contract Amendment 13 dated August 16, 2021 is for the scope of work described in the attached July 1, 2021 letter regarding Impact of Eliminating Supplemental Benefits from the State and Local Income Continuation Insurance (ICI) Plans with costs not to exceed \$25,000.
21. The Contract Amendment 14 dated December 16, 2021 is for consulting actuary related retainer services described in RFP ETD0013 with costs not to exceed \$134,026 for calendar year 2022.
22. The Contract Amendment 15 dated January 25, 2022 is for:
  - Additional work required under the scope of work described in amendment #13 for studying the impact of eliminating supplemental benefits from the state and local Income Continuation Insurance (ICI) Plans with costs not to exceed \$5,000.
  - The work described in the Department's attached Wellness & Disease Management RFP SOW (SOW) and Contractor's attached January 18, 2022 response to the SOW with costs not to exceed \$60,000.

23. The Contract Amendment 16 dated April 21, 2022 is for the Milliman letter dated April 14, 2022 describing the scope of work for decoupling sick leave from income continuation insurance (ICI) program invoiced on a time and expenses basis not to exceed \$40,000.
24. This Contract Amendment 17 dated September 15, 2022 includes:
- Amendment 17A hereby caps the decoupling sick leave from ICI work described under Amendment #16 at \$23,716.25 (out of the do not exceed \$40,000) and reallocates the remaining \$16,283.75 for the scope of work described below in amendment 17A for analyzing the impact of increasing ICI basic covered payroll, a continuation of the work described under Amendments 13 and 15 first bullet point. For clarity, Amendment 17A has a do not exceed limit of \$20,000 (\$16,283.75 remaining from Amendment #16 plus an additional \$3,716.25) to completed the list of tasks described under Amendment 17A below.
  - Amendment 17B is for performing experience studies for the ICI and Duty Disability plans, and updating the assumptions for performing the December 31, 2022 valuation as described in the attached letter dated September 7, 2022 with a do not exceed limit of \$45,000.

Contractor agrees to include on the identifying contract amendment number (and A or B identifier) and a brief description of the work done on all future invoices.

25. 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 17 dated September 15, 2022;
  - C. the Contract Amendment 16 dated April 21, 2022;
  - D. the Contract Amendment 15 dated January 25, 2022;
  - E. the Contract Amendment 14 dated December 16, 2021;
  - F. the Contract Amendment 13 dated August 16, 2021;
  - G. the Contract Amendment 12 dated January 25, 2021;
  - H. the Contract Amendment 11 dated January 2, 2020;
  - I. the Contract Amendment 10 dated November 1, 2019;
  - J. the Contract Amendment 9 dated October 25, 2019;
  - K. the Contract Amendment 8 dated January 17, 2019;
  - L. the Contract Amendment 7 dated October 2, 2018;
  - M. the Contract Amendment 6 dated June 28, 2018;
  - N. the Contract Amendment 5 dated January 5, 2018;
  - O. the Contract Amendment 4 dated February 13, 2017;
  - P. the Contract Amendment 3 dated September 23, 2016 and Milliman letter dated September 14, 2016;
  - Q. the Contract Amendment 2 dated February 3, 2016 and Milliman letter dated January 21, 2016;
  - R. the Contract Amendment 1 dated March 26, 2015;
  - S. questions from vendors and ETF Answers dated January 28, 2014;
  - T. Exhibit A, Changes Agreed to by the Parties from the Request for Proposal (RFP) ETD0013;
  - U. Exhibit B, Business Associates Agreement dated June 3, 2014;
  - V. the RFP dated January 6, 2014; and,
  - W. Contractor's proposal dated February 17, 2014.

**Contract Number and Service:**

ETD0013-Amendment #17  
 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>John Voelker</i> 1EB9C35D52DD41E...
<b>Name/Title</b>	A. John Voelker Secretary, Department of Employee Trust Funds
<b>Phone</b>	608.266.0301
<b>Date</b>	9/15/2022

<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>Name/Title</b>	Daniel D. Skwire, Principal
<b>Signature</b>	DocuSigned by: <i>Daniel D. Skwire</i> 6D8558A615D1484...
<b>Phone</b>	207.771.1203
<b>Date</b>	9/15/2022

## Amendment 17A

The following tasks related to analyzing the impact of increasing income continuation insurance (ICI) basic covered payroll is not to exceed \$20,000.

As background, the budget for this project (originally described in Amendment 13) was extended by \$5,000 in January 15, 2022 (Amendment 15) when the Contractor updated its original analysis based on known contributions from 2021.

This Amendment 17A adds the new tasks below, which were not included in the scope of work under Amendments 13 or 15. Additionally, Milliman has already incurred \$8,786 in fees above the \$5,000 budget through August 31, 2022, which included preparing for the August 17, 2022 Group Insurance Board meeting and attending that meeting.

The estimated \$20,000 includes the \$8,786 fees already incurred by Milliman through August 31, 2022 and the following:

1. Expected travel expenses for the November 2022 Group Insurance Board meeting.
2. Updating results using 2021 Insurance Files. The original analysis was performed using 2020 Insurance Files.
3. Providing more detail on members that will see rate increases and decreases, by rating category, salary, employer, and including estimated premium impact.
4. Estimating premium impact per state agency.
5. Updating projections by assuming a January 1, 2024 effective date for the plan changes.
6. Developing two additional scenarios using a 2-year and 3-year phase-in period.
7. Developing illustrative 2024 premium rate tables and compare the current rates to the proposed rates for increasing standard coverage. Include employer and employee tables.
8. Responding to Group Insurance Board member inquiry: Each of the categories are impacted differently so understanding winners and losers at a greater level of detail beyond just rates (meaning how many employees are impacted in each of these different ways) is important. Right now, some new employees choose not to enroll based on high premiums until they are eligible for category 3 when employer share kicks in, for example. Some choose not to enroll in supplemental at all to keep their premiums lower.
  - a. What does this mean for new employees?
  - b. What does this mean for tenured employees who may or may not have coverage at various category levels? Understanding the category-by-category impact would be really helpful to know what it will mean for them before and after.

Milliman will complete the above tasks and deliver a letter reporting results to the Department no later than October 15, 2022.

## Amendment 17B

Performing experience studies for the Income and Continuation Insurance (ICI) and Duty Disability plans, and updating the assumptions for performing the December 31, 2022 valuation. Milliman will perform the experience studies this fall per the attached letter on the following pages.



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milliman.com

September 7, 2022

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,

In 2019, an audit of the Income Continuation Insurance (ICI) and Duty Disability valuation assumptions was performed by an independent consultant, resulting in a recommendation to update the assumptions on a three-year cycle. It has been three years since the assumptions were last updated (beginning with the December 31, 2019 valuation) and we anticipate updating the assumptions for performing the December 31, 2022 valuation. To update these assumptions, we will perform experience studies using claim data from 2017 through 2022. This letter discusses the experience studies that will be performed, and it contains an estimated budget and timeline for this work.

1. Claim Termination Rate (CTR) Study: We will perform CTR studies for the Duty Disability and ICI programs, using historical claim experience from January 1, 2017 through June 30, 2022, as of September 30, 2022. The results will include actual-to-expected (A/E) claim termination ratios that can be used to analyze recent trends in recoveries and deaths. For both programs, expected terminations will be based on the current valuation tables, and actual terminations will represent the number of recoveries and deaths that occurred during the experience period. The results will then be used to update the claim termination bases. 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, 2017 through June 30, 2022, as of September 30, 2022. For example, we will calculate the probability of being approved for SSDI benefits based on claim characteristics such as duration. We will also calculate average SSDI benefit amounts. The probabilities and estimated offset amounts will be used to update the estimated offset assumptions for performing the December 31, 2022 valuation.
3. Duty Disability Death Benefit Study: We will analyze the percentage of Duty Disability claims that result in death benefits to surviving spouses, domestic partners, and dependent children. We will work with ETF to determine the data that is available for performing the analysis.

4. Overpayment Study: We will use historical data to analyze overpayment balances and recoveries. The results of this study will be used to update the valuation assumption for calculating an overpayment credit. Currently, we assume 75% of the overpayment balance will be recovered.

We propose providing these services to ETF under our current consulting services agreement, using the same hourly billing rates at which we perform our disability valuation services, at a cost not to exceed \$45,000. 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. Thank you.

Sincerely,



Paul Correia, FSA, MAAA  
Principal and Consulting Actuary