OMES OFFICE OF MANAGEMENT & ENTERPRISE SERVICES

State of Oklahoma

Amendment of Solicitation

Date of Issuance: 12/15/2016 **Solicitation No.** 0900000243

Requisition No. 0900007406 **Amendment No.** 1

Hour and date specified for receipt of offers is changed: ☐ No ☒ Yes, to: January 5, 2017 3:00 PM CST

Pursuant to OAC 260:115-7-30(d), this document shall serve as official notice of amendment to the solicitation identified above. Such notice is being provided to all suppliers to which the original solicitation was sent.

Suppliers submitting bids or quotations shall acknowledge receipt of this solicitation amendment prior to the hour and date specified in the solicitation as follows:

(1) Sign and return a copy of this amendment with the solicitation response being submitted; or,

(2) If the supplier has already submitted a response, this acknowledgement must be signed and returned prior to the solicitation deadline. All amendment acknowledgements submitted separately shall have the solicitation number and bid opening date printed clearly on the front of the envelope.

ISSUED BY and RETURN TO:

U.S. Postal Delivery:
OMES Central Purchasing
5005 N. Lincoln Blvd., Ste. 300
Oklahoma City, OK 73105
or
Personal or Common Carrier Delivery:
OMES Central Purchasing
5005 N. Lincoln Blvd., Ste. 300
Oklahoma City, OK 73105

Leanna Edmonds
Contracting Officer

405 - 521 - 2133
Phone Number

Leanna.Edmonds@omes.ok.gov
E-Mail Address

Description of Amendment:

a. This is to incorporate the following:

Questions received regarding this solicitation and their answers are below. Please note there are two attachments to this amendment. Attachment 1 is the Historical Disability Data. Attachment 2 is the Annual Actuarial Valuation for EGID Disability Plan as of December 31, 2015.

Q.1. Who the current Disability Administrator is, for how long and what their current fees are?
A.1. The current Disability Administrator is GHS Insurance Company. The current fees are $2 per eligible member per month (Historically, approximately $70,000 per month). Additionally the Administrator is reimbursed for the actual cost of the third-party Social Security assistance vendor (Historically approximately $20,000 per month). GHS has been the Disability Administrator for more than 20 years.

Q.2. Where can we find or get reports on the type of disability coverages offered, number of participants, claim history, etc.
A.2. The HealthChoice Disability Plan Handbook can be found at: https://www.ok.gov/sib/documents/DisabilityHandbook.pdf Additional Historical Disability Data can be found in the Attached Historical Document

Q.3. Would the state except proposals from Administrators who are working directly with a consultant/broker?
A.3. Proposals from Administrators who are working directly with a consultant/broker will be accepted and evaluated as long as all the minimum requirements contained in the RFP are met.

Q.4. RFP SECTION REFERENCE: E.1. Minimum Requirements E.1.2. Experience. The TPA shall document its experience in performing the requested TPA services outlined in this RFP at Section C, Solicitation Specifications for a minimum of five (5) years. The TPA must demonstrate experience in working with Social Security Administration, the Workers' Compensation Court and all other entities providing related benefits and/or reimbursement. QUESTION: Will the State allow sub-contractor experience qualify under mandatory requirement?

A.4. Yes, subcontractor experience will qualify under the mandatory requirement for Social Security Administration experience.

Q.5. Would EGID consider extending the due date for proposals by one week given the heavy production associated with year-end wrap up, as well as vacation schedules?

A.5. Yes, EGID will extend the due date by one week. The new due date is Thursday, January 5, 2017 at 3:00 PM CST.

Q.6. Can reasonable travel expense be passed through to EGID or does it need to be bundled in our other fees? Regarding C.13.5, to the extent that a special meeting is called, will EGID cover these unforeseen travel expenses?

A.6. Travel expenses need to be bundled in with other fees. Travel for special meetings will not be compensated by EGID. Special meetings have historically been very rare.

Q.7. Pursuant to C.9.10, what external investigative expenses can be passed through to EGID? Are surveillance, medical records fees charged by physicians, etc. included as pass throughs?

A.7. External surveillance investigation expenses must be preapproved by EGID to be paid (passed through) and have historically been very rare. Charges for copies of medical records are the member's responsibility.

Q.8. Can you explain the difference between H.1.2 start-up costs that cannot be charged separately and H.1.7 Transition Fees that can be quoted separately?

A.8. H.1.2 is incorrect and is deleted. H.1.7. is correct.

Q.9. C.9.3 indicates that the TPA shall mail Explanation of Benefits (EOB). Would you consider electronic delivery of EOBs?

A.9. Yes, EGID would allow electronic delivery of EOBs.

Q.10. Is the regular and systematic monthly contact with the Workers' Compensation Court and with the Retirement Systems through regular reports or other means such as phone?

A.10. There are monthly reports from the Retirement system. There are no reports from the WCC. The current vendor sends letters which include medical releases and the WCC responds accordingly in most cases. If a response is not received, etc. the vendor goes to the WCC in person to obtain the information.

Q.11. Please provide a copy of the STD and LTD plans of coverage or describe the definition of disability.

A.11. See the Health Choice Disability Plan Handbook at: https://www.ok.gov/sib/documents/DisabilityHandbook.pdf

Q.12. What has the incidence of new STD claims and new LTD claims been over the last several years?

A.12. See Attachment 1, the Historical Disability Data.

Q.13. Can the December, 2015 open LTD claims be broken out by claim duration?

A.13. See Attachment 2, the Annual Actuarial Valuation for EGID Disability Plan as of December 31, 2015.

Q.14. Can you provide an incidence rate for denials and for appeals that emerge from denials?

A.14. 2011 – 6
2012 – 11
2013 – 15
2014 – 13
2015 – 27
2016 – 10 through the 3rd quarter
Only one appeal of these denials.

Q.15. Sections C.13.1 and 13.2 regarding payments are somewhat vague as to specific responsibilities in the end to end payment process. Please confirm or elaborate on the following:

a) Once a claim is determined to be compensable, the TPA will create a NACHA formatted ACH credit file in order to pay such claim, correct?
b) Will the TPA interface directly with the State's designated bank account to facilitate ACH claim payments or will the TPA send the payment file to the State's Treasury department, which will in turn interface with its bank for electronic claim payments?
c) In the unlikely event that a claimant is unable to receive electronic payment, does EGID want the TPA to cut and

mail a physical check OR does EGID want the TPA to send it information for the State's Treasury department to cut the physical check?

d) Can the EGID explain the funding of its designated bank account so as to reduce the risk of insufficient funds?
e) Is EGID open to the coordination of disbursing claim benefits on a limited number of days during the month in order to reduce cost OR is it mandatory that claim payment be disbursed on any given day of the month?

A.15. The answers correspond with Q.15 above.

a) See Exhibit D for file layout of paper checks and EFT payments.
b) Neither, TPA will transmit file to EGID.
c) TPA will issue and mail check to claimant.
d) TPA will provide details of each payment cycle in advance of Issue File (Exhibit D) transmission by TPA to EGID. EGID will fund account based on payment totals in advance of EGID's file transmission to State Treasury.
e) Yes, EGID prefers a monthly payment cycle. Currently, benefits are paid on or before the 15th of the month.

Q.16. Regarding C.13.4, shall the TPA use EGID's EIN for tax filing and if so, how is it coordinated with EGID's other payroll activity?

a) Does the EGID want the TPA to remit taxes withheld?
b) Does the EGID want the TPA to calculate the employer matching component of FICA taxes and remit with the remittance mentioned in 11a? If yes, does the EGID expect the TPA to bear the cost of this FICA match?

A.16. The answers correspond with Q.16 above.

a) Yes, TPA should calculate and prepare EFT record for payment of taxes. This should be done for any payment cycle for which taxes are withheld. See the Issue File (Exhibit D).
b) Yes. No.

Q.17. Please confirm that there is no state withholding and filing requirements.
A.17. State withholdings and filings are required.

Q.18. Please confirm that EGID will be responsible for any stale check and abandoned property due diligence and reporting.
A.18. Yes.

Q.19. Are current claim files imaged or in hard copy paper format? If paper, will EGID bear the cost of storage?
A.19. The majority of current claim files are imaged; however, there are some older claims which still in hard copy format. If necessary, the older claims could be imaged.

Q.20. Approximately how many times were physician file reviews used annually over the last 3 years? Does this include file reviews related to first-level appeals? If not, approximately how many first-level appeals are received annually?
A.20. Approximately 10 per year. Yes. Only one grievance has been filed over the last five years.

Q.21. Approximately how many times was an SSDI advocacy service used annually over the last 3 years?
A.21. The current vendor subcontracts for SSDI. The majority of claimants that are expected to be disabled for greater than 6 months are referred to the subcontractor for assistance with SSDI filing. The employee does not have to pay for this assistance; the state reimburses the vendor as a pass-through for the SSDI services. The employee also has the option to file on their own/hire an attorney at their own expense.

Q.22. Please confirm that EGID would like the following additional services to be provided on an as-needed, pass-through basis, with approval from EGID for each use:

a) Independent Medical Examinations
b) Functional Capacity Evaluations
c) Onsite Vocational Rehabilitation Services
d) Surveillance and Extraordinary Claims Investigation Services (e.g., Asset Checks)

A.22. The answers correspond with Q.22 above.

a) These are fairly rare and require pre-approval by EGID. These are paid as a pass-through by EGID.
b) These are fairly rare and require pre-approval by EGID. These are paid as a pass-through by EGID.
c) These are rare and require pre-approval by EGID. These are paid as a pass-through by EGID.
d) External surveillance investigation expenses must be preapproved by EGID, are paid via pass-through basis, have historically been very rare.

Q.23. Approximately how many new STD claims were submitted annually (including denied claims) over the last 3 years? If possible, please provide a claim listing including approval dates and major diagnostic category.
A.23. See Attachment 1, the Historical Disability Data. We will not be providing the listing requested.

Q.24. Approximately how many times has the incumbent provider attended monthly Board meetings over the last 3 years (i.e., requirement C.13.5)?
A.24. The current vendor is represented at all Board meetings, but seldom if ever is required to participate.

Q.25. Can you provide an example of the in-force Explanation of Benefits (EOB) document, or provide additional information into the purpose of this document? Is the EOB specific to a claim, or a general plan pamphlet/overview?
A.25. The EOB document explains how each participant's monthly benefits were calculated including offsets, taxes, etc.

Q.26. Can you detail the reason for a monthly letter of inquiry to the member's employer regarding the member's employment and leave status? We would typically expect that termination records would be sent as a part of the Eligibility File process.
A.26. The Disability TPA will get a eligibility file providing all "eligible" employees. Only active state and participating local government employees are enrolled in the disability program. Typically, when employees initially file for short-term disability they are not terminated from their employment but instead placed on sick, annual or shared leave. There have been instances whereby an employee was on "leave status" for two years before terminating employment, each case is unique.

Q.27. If Staffing headcounts differ from currently provided 2015 information, please provide updated headcount for 2016:
A.27.

Type of claim	Benefit eligible or participating employees	Total employees
STD & LTD	Employees are eligible for both STD and LTD	As of 9/30/16 total eligible 36,040

Q.28. Please identify the number of system users required as follows:
A.28.

Type of user	Number of view only access users	Number of ad hoc report/query users
Client	2	2
Consultant	0	0

Q.29. Please identify and list all interfaces required:
A.29.

Type of interface/feed	Incoming/outgoing	Frequency of (daily, weekly, monthly, quarterly)	Disability
Email via secure VPM/TLS	Incoming/Outgoing	Daily	The meaning of this column is unclear. However, there is no split by disability types if this is what is being asked.
V3 Web Workflow	Incoming/Outgoing	As Needed	

V3 Web Eligibility	View online only	As Needed	
SFTP	Outgoing To EGID	All Required Reports – All the above	

Q.30. Describe all data interfaces required, with what system(s), and how frequently these are transmitted?
A.30. Vendor has access to the State's web eligibility portal to check real-time member eligibility as needed. Vendor will interface with the State's web Workflow system for receiving member issues as needed (very few historically). Vendor submits all reports (weekly, monthly, quarterly, yearly) to State via SFTP server. Eligibility files are transmitted electronically to vendor. EGID has a VPN/TLS connection with vendor for secure email communications.

Q.31. Does this program provide referrals to an EAP or other health management partners?
A.31. No.

Q.32. Is the incumbent TPA service located in a centralized location or multiple locations and where?
A.32. One location, Oklahoma City, Oklahoma.

Q.33. Does OMES have a location preference for your service team and/or the account manager?
A.33. We would prefer a local Member Services office, but have no preference for location of processing system/staff.

Q.34. Can you provide an outline/org chart for the current GHS disability team in addition to roles/responsibilities?
A.34. The GHS organizational structure consists of the following:
Claims Manager – Nurse
Claims Manager – Supervisor – Two Senior Examiners, Two Examiners, and a Clerk
There is also a Physician on staff with BCBS/HCSC available to GHS.

Q.35. What programs are currently in-force to support RTW efforts?
A.35. Examiners work on a case by case basis as appropriate with employers and/or claimants providing educational information on ways to accommodate employees including low cost modification as applicable.

Q.36. Looking forward, what does OMES wish to accomplish/fix/avoid with their disability program?
A.36. There are no known problems to fix/avoid. Possibly moving to electronic Explanation of Benefits (EOBs) would be a future goal.

THE CLOSE DATE OF THIS SOLICITATION HAS BEEN CHANGED TO THURSDAY, JANUARY 5, 2017 AT 3:00 PM CST

The original solicitation can be found on the OMES website and you can register for future notifications specific to this solicitation at the following link: https://www.ok.gov/dcs/solicit/app/solicitationDetail.php?solID=2663

b. All other terms and conditions remain unchanged.

Supplier Company Name (**PRINT**)

Date

Authorized Representative Name (**PRINT**)

Title

Authorized Representative Signature

ATTACHMENT 1

Historical Disability Data

	# of new Claims	Ind Medical Exams	Rehab Referrals	Home Visits	*Short Term Disability* #	*Short Term Disability* $	*Short Term Disability* Avg/Person	*Long Term Disability* #	*Long Term Disability* $	*Long Term Disability* Avg/Person	Census
Jan-14	29	-	-	1	68	62,250	915.44	741	293,895	396.62	37,130
Feb-14	19	-	-	1	102	67,210	658.92	742	277,495	373.98	37,212
Mar-14	27	-	-	1	78	59,517	763.04	737	271,021	367.74	37,286
Apr-14	27	-	-	-	109	74,316	681.80	735	264,538	359.92	37,241
May-14	19	-	-	2	90	61,568	684.08	731	270,512	370.06	37,347
Jun-14	22	-	-	1	105	68,157	649.12	715	263,418	368.42	37,279
Jul-14	22	-	-	1	116	78,368	675.59	706	263,756	373.59	37,263
Aug-14	23	-	-	1	104	80,722	776.18	714	270,185	378.41	37,213
Sep-14	23	-	-	1	101	67,624	669.54	725	259,791	358.33	37,140
Oct-14	18	-	-	1	70	69,588	994.12	706	254,741	360.82	37,233
Nov-14	13	-	-	1	86	58,589	681.26	711	264,508	372.02	37,256
Dec-14	17	-	-	1	78	71,007	910.35	711	264,162	371.54	37,283
Average	22	-	-	1	92	68,243	739.76	723	268,169	371.00	37,240
Jan-15	28	-	-	1	63	61,660	978.72	694	256,181	369.14	36,963
Feb-15	24	-	-	1	59	70,576	1,196.20	687	284,809	414.57	36,993
Mar-15	23	-	-	-	57	52,171	915.28	683	246,978	361.61	37,104
Apr-15	29	-	-	1	62	81,500	1,314.52	677	252,363	372.77	37,090
May-15	26	-	-	1	73	102,744	1,407.45	676	262,259	387.96	37,170
Jun-15	19	-	-	-	76	86,058	1,132.34	672	245,287	365.01	37,154
Jul-15	20	-	-	1	68	87,855	1,291.98	681	247,218	363.02	37,226
Aug-15	24	-	-	1	75	73,430	979.06	683	247,949	363.03	37,139
Sep-15	25	-	-	1	64	91,442	1,428.77	681	258,434	379.49	37,186
Oct-15	19	-	-	-	68	78,468	1,153.94	677	262,933	388.38	37,239
Nov-15	14	-	-	1	54	72,120	1,335.56	665	254,855	383.24	37,381
Dec-15	25	-	-	1	57	67,100	1,177.19	665	260,868	392.28	37,632
Average	23	-	-	1	65	77,094	1,192.17	678	256,678	378.35	37,190
Jan-16	18	-	-	1	53	61,300	1,156.59	665	260,329	391.47	37,379
Feb-16	18	-	-	1	50	61,479	1,229.58	662	271,328	409.86	37,410
Mar-16	20	-	-	1	58	74,605	1,286.29	657	261,412	397.89	37,424
Apr-16	26	-	-	1	65	67,717	1,041.81	666	272,865	409.71	37,016
May-16	23	-	-	1	56	74,186	1,324.75	662	264,663	399.79	36,837
Jun-16	24	-	-	2	63	75,273	1,194.81	656	260,736	397.46	36,699
Jul-16	19	-	-	1	59	68,856	1,167.05	663	264,519	398.97	36,329
Average	21	-	-	1	58	69,059	1,196.57	662	265,122	400.75	37,130

ATTACHMENT 2

Annual Actuarial Valuation
for
The Employees Group Insurance Division
Disability Plan

As of December 31, 2015

Prepared by: Tasha S. Khan, FSA
Consulting Actuary
Milliman, Inc.

Daniel D. Skwire, FSA
Consulting Actuary
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Table of Contents

Milliman

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April 13, 2016

Ms. Kelly Wilson, CPA
Deputy Director, Internal Audit Division
Employees Group Insurance Division
3545 NW 58th Street, Suite 500
Oklahoma City, OK 73112

RE: Actuarial Valuation of EGID Disability Plan as of December 31, 2015

Dear Kelly:

At your request, we have performed an actuarial valuation of the Employees Group Insurance Division (EGID) Disability Plan as of December 31, 2015. Our findings are set forth in this actuary's report. EGID is a separate legal trust and a component unit of the State of Oklahoma that administers, manages, and provides various insurance benefits for employees and retirees of state and education employers. The State of Oklahoma is the overall plan sponsor, and the legislature has the overall authority to create or dissolve the plan or EGID as an option for its employees.

KPMG, the auditor for this plan, opined in a memo dated April 16, 2009 that EGID is not an Other Post-Employment Benefit (OPEB) trust set up for retirees, and is therefore not subject to the reporting requirements of Governmental Accounting Standards Board (GASB) Statement 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Rather, EGID should prepare its financial statements in accordance with paragraph 138 of GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* which addresses reporting by special-purpose governments engaged only in business-type activities. This report has been prepared according to this guidance.

In preparing this report, we have relied, without audit, on information (some oral and some in writing) supplied by EGID staff, its vendors, and its auditors. This information includes, but is not limited to, plan provisions, employee data, accounting guidance and financial information. In our examination of this data, we found it to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for EGID have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Disability Plan and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Disability Plan.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Trustees has the final decision regarding the appropriateness of assumptions.

The calculations in this report have been made for the purpose of fulfilling financial accounting requirements, and they have been made on a basis consistent with our understanding of EGID's funding requirements and goals. Determinations for purposes other than meeting these requirements may be significantly different from the results in this report, and additional determinations may be needed for other purposes.

Milliman's work product was prepared solely for the internal use of EGID. 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, subject to the following exceptions:

1. EGID may provide a copy of Milliman's work, in its entirety, to EGID's professional service advisors who are subject to a duty of confidentiality and who agree not to use Milliman's work product for any purpose other than to benefit EGID.

2. EGID 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 should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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, Tasha S. Khan, 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, Daniel D. Skwire, 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,

Tasha S. Khan, FSA, MAAA
Consulting Actuary
Milliman, Inc.

Daniel D. Skwire, FSA, MAAA
Consulting Actuary
Milliman, Inc.

This report contains the 12/31/2015 valuation for the EGID Disability Plan. This plan provides long term disability (LTD) and short-term disability (STD) benefits to active members.

Valuation Results at 12/31/2015

As of 12/31/2015, the valuation basis has been updated to reflect the latest claim termination rate table available in the group long-term disability industry. This new table, the 2012 Group Long Term Disability Table (2012 GLTD Table), replaces the 1987 Commissioners' Group Disability Table (87CGDT) as the new industry standard. The 2012 GLTD Table reflects more recent industry experience for both public and private sector insured plans, and also includes additional detail such as recovery and death rates which vary by cause of disability. This change decreased the total liability at 12/31/2015 by $0.7 million.

Table 1.1 below summarizes the actuarial liability for the current and prior valuations (totals may not sum due to rounding):

Table 1.1
Comparison to Prior Year: EGID Disability Plan Liabilities

	87CGDT (Old Basis) 12/31/2014	87CGDT (Old Basis) 12/31/2015	2012 GLTD (New Basis) 12/31/2015
LTD Active Claims	$10,829,444	$10,058,175	$9,700,604
LTD IBNR	2,029,417	1,984,587	1,824,253
LTD Claim Expense	707,237	662,352	633,867
LTD Overpayments Recoverable	(385,491)	(369,066)	(369,066)
Total LTD	**$13,180,608**	**$12,336,049**	**$11,789,658**
STD Active Claims + IBNR	$259,802	$321,569	$321,569
STD Claim Expense	14,289	17,686	17,686
Total STD	**$274,092**	**$339,255**	**$339,255**
Total Disabled Life Liability	**$13,454,700**	**$12,675,304**	**$12,128,914**
Premium Deficiency Liability	$111,462	$110,339	$0
Total Liability	**$13,566,161**	**$12,785,642**	**$12,128,914**

The LTD valuation assumptions use estimated Social Security offsets for those claims that have not yet been approved or denied for Social Security disability (SSDI) benefits.

Table 1.2 splits the total disabled life liability into current and non-current amounts, where the current amount pertains to payments expected to be made in the 12 months following the valuation date (totals may not sum due to rounding). The full amount of any premium deficiency has been classified as a current liability.

Table 1.2 EGID Disability Plan Liabilities: Current and Non-Current		
	12/31/2014 - 87CGDT (Old Basis)	12/31/2015 – 2012 GLTD (New Basis)
Current Liability	$3,130,565	$3,004,016
Non-Current Liability	10,435,596	9,124,898
Total Liability	$13,566,161	$12,128,914

Additional Items

In addition to the actuarial valuation results, this report contains several additional items:

Claim Termination Rate Study

The EGID plan has experienced higher-than-expected claim termination rates (i.e., deaths and recoveries among disabled lives) over the past five years relative to the valuation assumptions, with actual-to-expected (A/E) ratios equaling or exceeding 100% of the valuation basis in most claim durations. This is a favorable trend that lowers emerging costs. Although the EGID claim terminations have exceeded expected levels, the results should be interpreted with caution due to the small size of the block.

Liability Runoff Studies

The liability runoff tests we performed on the LTD benefit show a liability margin of 7.4% of the 12/31/2013 liability and 10.6% of the 12/31/2014 liability, in each case reflecting a 12-month runout period. The combined result of the two studies was a margin of 8.9%. These values are more favorable than the target range of a 1-5% margin. A plan of this size will experience some annual volatility, so it is again important to be cautious when interpreting these results. Both the claim termination rate study and the liability runout study suggest that the plan is performing more favorably than anticipated in the valuation basis.

Risk Based Capital

For its own management purposes in evaluating the level of assets supporting the Disability Plan, EGID makes an annual determination of the risk based capital (RBC) attributable to the Plan. Table 1.3 below contains the RBC determination for the Disability Plan as of 12/31/2015:

Table 1.3
Risk Based Capital Determination at 12/31/2015

Item	Value
C1: Asset Risk	$6,659,000
C2: Insurance Risk	1,619,000
C4: Operational Risk	20,000
Subtotal (C1+C2+C4)	$8,298,000
Additional RBC (25% of Subtotal)	2,075,000
Total RBC	$10,373,000

The RBC formula, including calculation methods and specific factors, was provided to Milliman by EGID. The assumptions are summarized in Appendix C. We believe this calculation approximates 125% of "company action level" (CAL) risk based capital under the NAIC formula for insurance carriers. This is a simplified RBC formula which does not reflect a covariance adjustment. EGID may wish to review its RBC formula to ensure that the plan's RBC calculation is providing an adequate provision for potential volatility.

Premium Deficiency Liability

The most recent premium study, completed in July of 2015, recommended a 2016 premium rate of $9.34 per employee per month (PEPM), for STD and LTD benefits combined, when the full credit for investment income earned on the plan's surplus was applied. When we update our 2016 premium calculation to reflect the updated valuation assumptions as of 12/31/2015, our recommended premium rate, again assuming full credit for investment income on surplus, drops to $8.94 PEPM. Since this is lower than the actual premium rate of $9.10 charged by the plan in 2016, a premium deficiency liability is no longer required.

EGID, a component unit of the state of Oklahoma, is a special purpose state and local government and a legal trust that administers, manages and provides group health, dental, life, and disability insurance for active employees and retirees of state agencies, school districts and other governmental units of the state of Oklahoma.[1] This report provides the annual actuarial valuation for the disability benefits provided by EGID (the "Disability Plan").

Accounting Framework

The accounting methods used to report the experience of the Disability Plan, and of EGID as a whole, have varied significantly in recent years, based on the advice of its auditors:

- Prior to 2006, EGID presented its financial statements according to GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

- At 12/31/2006, EGID adopted GASB 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, and reported as a single employer benefit trust fund subject to paragraphs 16 through 40 of GASB 43.

- At 12/31/2007, EGID again reported under GASB 43, but this time under the provisions of paragraph 4, which presented the retiree activity in the form of an agency fund.

- At 12/31/2008 and subsequently, EGID has reported under paragraph 138 of GASB 34, following the guidance of KPMG, which is the current auditor for this plan.

The accounting guidance from KPMG is summarized in an April, 2009 opinion from that firm. This guidance was based on the following items:

- EGID is not an OPEB trust set up for retirees.

- Assets are not accumulated for future benefits for retirees.

- EGID does not have an obligation to provide future benefits for retirees beyond what is acquired through premiums.

- EGID is not the plan sponsor and only has a piece of the overall plan administration.

[1] The accounting discussion in this section is based on the April 16, 2009 memo prepared by the Oklahoma City office of KPMG, LLP, with some sections quoted verbatim.

- EGID's only benefit liabilities are to those insured members who pay a premium for the month in which a loss is incurred; it has no further liabilities to the insured.

KPMG opined that EGID is a public entity risk pool created to provide insurance coverage, and that it qualifies as a single-purpose business-type activity that should report as an enterprise fund. Therefore, it should prepare its financial statements according to paragraph 138 of GASB 34, and this actuarial valuation has been performed accordingly.

Actuarial Valuation

A number of assumptions have been made in developing the liabilities shown in this report. These assumptions are described in Appendix C of this report. The projections in this report are estimates, and as such, EGID's actual liability will vary from these estimates. The projections and assumptions should be reviewed and updated as necessary, as actual costs under this program develop.

As of 12/31/2015, the valuation basis has been updated to reflect the latest claim termination rate table available in the group long-term disability industry. This new table, the 2012 Group Long Term Disability Table (2012 GLTD Table), replaces the 1987 Commissioners' Group Disability Table (87CGDT) as the new industry standard. The 2012 GLTD Table reflects more recent industry experience for both public and private sector insured plans, and also includes additional detail such as recovery and death rates which vary by cause of disability.

Table 2.1 below summarizes the actuarial liability for the current and prior valuations (totals may not sum due to rounding):

Table 2.1
Comparison to Prior Year: EGID Disability Plan Liabilities

	87CGDT (Old Basis) 12/31/2014	87CGDT (Old Basis) 12/31/2015	2012 GLTD (New Basis) 12/31/2015
LTD Active Claims	$10,829,444	$10,058,175	$9,700,604
LTD IBNR	2,029,417	1,984,587	1,824,253
LTD Claim Expense	707,237	662,352	633,867
LTD Overpayments Recoverable	(385,491)	(369,066)	(369,066)
Total LTD	**$13,180,608**	**$12,336,049**	**$11,789,658**
STD Active Claims + IBNR	$259,802	$321,569	$321,569
STD Claim Expense	14,289	17,686	17,686
Total STD	**$274,092**	**$339,255**	**$339,255**
Total Disabled Life Liability	**$13,454,700**	**$12,675,304**	**$12,128,914**
Premium Deficiency Liability	$111,462	$110,339	$0
Total Liability	**$13,566,161**	**$12,785,642**	**$12,128,914**

The LTD plan requires that claimants be approved for Social Security in order to receive LTD benefits beyond the second year of disability, but the claim administration process allows for LTD benefits to continue while Social Security applications are pending. The LTD valuation assumptions use estimated Social Security offsets for those claims that have not yet been approved or denied for Social Security disability benefits.

The total liability for the Disability Plan dropped by $1.4 million, or 11%, from 12/31/2014 to 12/31/2015. Approximately half of this decrease is attributable to the valuation basis change from the 87CGDT to the 2012 GLTD Table, which reduced the LTD active and IBNR liabilities by $0.5 million and removed the need for the $0.1 million premium deficiency reserve. The remainder of the decrease is driven primarily by the drop in the number of open LTD claims from 692 to 661. Appendix B contains several tables with distributions of the LTD claims by year of disability, age at disability, and gender.

Similar to 12/31/2014, we calculated STD liability estimates as of December 31, 2015 based on completion factors and unit cost projection methods, using EGID's historical STD claim payments from January 1, 2012 through December 31, 2015. For these estimates, lag triangles were developed by splitting the historical claims into incurred month and paid month. The cumulative claims were summarized by incurred month. Monthly lag factors were then calculated by dividing the cumulative claims by an estimated total incurred claim amount for each specific incurred month. Ultimate completion factors were developed using the average of the prior twelve months of lag factors excluding the minimum and maximum outlier values. In situations where the estimated credibility for the completion factors was less than 100%, we estimated the incurred claims by taking a credibility weighted average of the incurred claims based on completion factors and incurred claims based on a unit cost projection method. The development of incurred claims using the unit cost projection method takes into consideration the expected incurred cost per employee and the number of participating employees in the specific incurred month. This method also includes a 10% provision for adverse deviation.

The total disabled life liability can be divided into the current and non-current liabilities, where the current liability pertains to payments that are expected to be made within the 12 months following the valuation date. The entire STD liability is a current amount, due to the short-term nature of the benefits. The current portion of the LTD liability is computed directly by valuing only the next twelve months' worth of payments. In addition, the full amount of any premium deficiency liability has been classified as a current liability. The current and non-current portions of the liability are shown below (totals may not sum due to rounding):

Table 2.2 EGID Disability Plan Liabilities: Current and Non-Current		
	12/31/2014 - 87CGDT (Old Basis)	12/31/2015 – 2012 GLTD (New Basis)
Current Liability	$3,130,565	$3,004,016
Non-Current Liability	10,435,596	9,124,898
Total Liability	$13,566,161	$12,128,914

Section III: Discussion of LTD Liability

It is important to test the reasonableness of the assumptions used to compute the liability for LTD claims (which represents the majority of the total liability). We have done that through the use of a claim termination rate study and a liability runoff test. Table 3.1 shows the result of our claim termination rate study:

Table 3.1
EGID Long Term Disability Claims
Actual-to-Expected Claim Termination Rates by Claim Count
Study Period: 1/1/2011 to 12/31/2015
Expected Basis: 2012 Group Long-Term Disability Table (no Own Occ Adjustment)

Claim Duration (Months)	Actual Terminations	Expected Terminations	A/E Ratio
7-12	131.00	142.96	0.92
13-18	74.00	66.87	1.11
19-24	40.00	41.87	0.96
25-36	66.00	36.25	1.82
37-48	29.00	19.43	1.49
49-60	20.00	14.37	1.39
61-120	52.00	33.95	1.53
121+	36.00	17.01	2.12
Total	448.00	372.70	1.20

Table 3.1 shows the actual claim terminations (i.e., deaths and recoveries) experienced by the EGID LTD plan over the past five years, relative to the expected level of claim terminations based on the same table used to compute the LTD liabilities. An actual-to-expected (A/E) ratio greater than 1.00 indicates higher terminations (and lower plan costs) than anticipated in the liability calculation.

The A/E ratios for EGID equal or exceed 1.00 in most claim durations, indicating that claim terminations have been favorable. The A/E ratios drop below 1.00 in durations 7-12 and durations 19-24, but since the liabilities are shown to have positive margins in these durations, as indicated in the next section, this is not necessarily a cause for concern at this time. One of the highest A/E ratios occurs in months 25-36 of claim, following the requirement that members qualify for Social Security disability benefits in order to continue receiving payments under the LTD plan.

It is common for LTD plans to see an increase in A/E ratios in durations following a change in definition of disability (i.e., the added requirement that a claimant qualify for Social Security disability benefits). The 2012 GLTD Table does include significant adjustment factors to reflect the higher terminations produced after this change in the disability definition; however, when we applied these adjustments to the 2012 GLTD Table the resulting liability estimates were shown to be inadequate in our liability runout testing. We therefore do not reflect these adjustment factors in the 12/31/2015 valuation basis. We will continue to monitor emerging experience and evaluate the appropriateness of adjusting this table in future years.

Although the EGID experience is quite favorable overall, the results should be interpreted with caution. First, this is a relatively small block of claims, so the results of the study (particularly in later claim durations) cannot be considered fully credible. Second, A/E claim termination rates are only one measure of the adequacy of a valuation basis, which must also account for items such as the timing and amount of benefit offsets. Therefore, it is also useful to perform liability runout tests.

The goal of a liability runoff test is to determine whether the liability computed on a given date with a certain set of assumptions would have been sufficient, with investment earnings, to fund the cost of actual and expected future payments for claims open on that date. Tables 3.2 and 3.3 below contain the results of our runout tests for liabilities held at 12/31/2013 and 12/31/2014. The combined results are shown in Table 3.4 (totals may not sum due to rounding).

The second column of each table shows the liability for active LTD claims at the beginning of the period being tested. (The value was computed by Milliman using the same calculation methods and assumptions as for the 12/31/2015 liability calculations in Section 2 of this report.) The third column in each table shows the liability margin, which is computed as (a) the beginning-of-period liability, less (b) the present value of payments during the period, less (c) the present value of the end-of-period liability. For the purposes of the margin calculation, items (b) and (c) include only those claims that were present in the beginning-of-period liability calculation. We have also removed the impact of overpayment offsets from the payments. All present values are computed as of the beginning of the study period using the valuation interest rate of 3.5%.

Table 3.2
Long Term Disability Liability Runoff Test for Active Claims Only
Study Period: 12/31/2013 to 12/31/2014
Does Not Include Overpayment Offsets

Claim Duration (Yrs)	Starting Liability	Liability Margin	Margin as % Starting Liability
1	$1,418,835	$585,565	41.3%
2	2,929,339	8,269	0.3%
3	1,018,833	(129,452)	-12.7%
4	1,173,184	7,590	0.6%
5	1,138,769	164,696	14.5%
6-10	3,293,398	252,913	7.7%
11+	799,610	(14,952)	-1.9%
Total	$11,771,967	$874,630	7.4%

Table 3.3 Long Term Disability Liability Runoff Test for Active Claims Only Study Period: 12/31/2014 to 12/31/2015 Does Not Include Overpayment Offsets			
Claim Duration (Yrs)	Starting Liability	Liability Margin	Margin as % Starting Liability
1	$1,245,163	$100,515	8.1%
2	1,146,631	317,906	27.7%
3	1,947,588	395,555	20.3%
4	1,005,667	152,931	15.2%
5	1,004,363	86,800	8.6%
6-10	3,249,491	(39,836)	-1.2%
11+	877,771	96,932	11.0%
Total	$10,476,674	$1,110,802	10.6%

Table 3.4 Long Term Disability Liability Runoff Test for Active Claims Only Study Period: Combined Results of Two Prior Years Does Not Include Overpayment Offsets			
Claim Duration (Yrs)	Starting Liability	Liability Margin	Margin as % Starting Liability
1	$2,663,998	$686,080	25.8%
2	4,075,970	326,175	8.0%
3	2,966,421	266,103	9.0%
4	2,178,851	160,521	7.4%
5	2,143,132	251,496	11.7%
6-10	6,542,889	213,077	3.3%
11+	1,677,380	81,979	4.9%
Total	$22,248,641	$1,985,432	8.9%

A liability margin of 1-5% of the starting liability balance is a reasonable target for this type of plan. It is important to note, however, that experience will vary from year to year, meaning that a margin outside of this range for a given time period does not necessarily indicate that the assumptions used to compute the liability are unreasonable. In addition, the liability runoff studies shown above use an interest rate of 3.5% to determine the reserve margins, in order to obtain the best indication of the reasonableness of the other assumptions. To the extent that the assets supporting the plan earn a higher (or lower) interest rate, then the actual liability margin may exceed (or fall below) that shown in the studies.

The liability runoff tests show a liability margin of 7.4% of the 12/31/2013 liability and 10.6% of the 12/31/2014 liability, in each case reflecting a 12-month runout period. The combined result of the two studies is a margin of 8.9%. These values are more favorable than the target range of a 1-5% margin. A plan of this size will experience some annual volatility, so it is again important to be cautious when interpreting these results. Both the claim termination rate study and the liability runout study suggest that the plan is performing more favorably than anticipated in the valuation basis. We recommend that the plan continue to be monitored, and plan experience compared to the updated industry table. Should plan experience differ significantly from the 2012 GLTD Table in future years, it may be appropriate to adjust this table to reflect the plan's emerging experience.

Risk Based Capital

For its own management purposes in evaluating the level of assets supporting the Disability Plan, EGID makes an annual determination of the risk based capital (RBC) attributable to the Plan. This determination is made based on a simplified version of the RBC formula used by the National Association of Insurance Commissioners (NAIC) to determine RBC requirements for disability insurance companies (for example, the version of the formula used by EGID does not adjust for the covariance of risk among multiple lines of business).

Table 4.1 below contains the RBC determination for the Disability Plan as of 12/31/2015, with the prior year shown for comparison purposes:

Table 4.1
Risk Based Capital Determination

Item	12/31/2014	12/31/2015
C1: Asset Risk	$6,551,000	$6,659,000
C2: Insurance Risk	1,693,000	1,619,000
C4: Operational Risk	20,000	20,000
Subtotal (C1+C2+C4)	$8,264,000	$8,298,000
Additional RBC (25% of Subtotal)	2,066,000	2,075,000
Total RBC	$10,330,000	$10,373,000

The RBC formula, including calculation methods and specific factors, was provided to Milliman by EGID. The assumptions are summarized in Appendix C. We believe this calculation approximates 125% of "company action level" (CAL) risk based capital under the NAIC formula for insurance carriers. This is a simplified RBC formula which does not reflect a covariance adjustment. EGID may wish to review its RBC formula to ensure that the plan's RBC calculation is providing an adequate provision for potential volatility.

Premium Deficiency Liability

EGID makes an annual determination of the premium rates for the Disability Plan based on a premium analysis performed on the prior year's experience. The most recent premium analysis was performed by Milliman in July, 2015, and the next analysis will be performed in July, 2016.

EGID has historically determined its annual premium rates so that they will exceed the greater of (1) the present-value cost of newly incurred claims, excluding expenses, in the upcoming plan year, and (2) the expected benefits and expenses to be paid by the plan in the upcoming year. A credit equal to some or all of the expected investment income earned on the plan's surplus may be applied to these premium rate determinations. At each year-end, to the extent that the premium rates are expected to be inadequate, EGID establishes a "premium deficiency liability" to make explicit recognition of the anticipated shortfall.

The most recent premium study, completed in July of 2015, recommended a 2016 premium rate of $9.34 per employee per month (PEPM), for STD and LTD benefits combined, when the full credit for investment income earned on the plan's surplus was applied. When we update our 2016 premium calculation to reflect the updated valuation assumptions as of 12/31/2015, our recommended premium rate, again assuming full credit for investment income on surplus, drops to $8.94 PEPM. Since this is lower than the actual premium rate of $9.10 charged by the plan in 2016, a premium deficiency liability is no longer required.

Appendix A: Plan Description

The EGID Disability Plan provides both long term and short term disability benefits, as summarized below:

Short Term Disability

- Benefit Amount: 60% of base salary, reduced by offsets, described below.
- Maximum Monthly Benefit: $2,500 for disabilities incurred 1/1/2007 and later. $1,800 for disabilities incurred prior to 1/1/2007.
- Minimum Monthly Benefit: $0.
- Elimination Period: 30 days.
- Definition of Disability: You are considered disabled if, as a result of injury or illness, you are unable to perform the material duties of your own occupation. A qualified physician must objectively document and certify your disability. The cause of your disability may or may not be related to your employment.
- Maximum Benefit Period: 180 days from the date of disability.

Long Term Disability

- Benefit Amount: 60% of base salary, reduced by offsets, described below.
- Maximum Monthly Benefit: $3,000 for disabilities incurred 7/1/1998 and later. $2,000 for disabilities incurred prior to 7/1/1998.
- Minimum Monthly Benefit: $50.
- Elimination Period: 180 Days.
- Definition of Disability: You are considered disabled if, as a result of injury or illness, you are unable to perform the material duties of your own occupation. A qualified physician must objectively document and certify your disability. The cause of your disability may or may not be related to your employment. After 24 months, disability is defined as the inability to perform each of the material duties of any gainful occupation you are qualified for, or may become qualified for, through training, education, or experience.

- Maximum Benefit Period: Generally 24 months from the date of disability for participants with fewer than 5 years of service, and To Age 65 for participants with 5 or more years of service. Shorter benefit periods apply for disabilities incurred at attained age 60 and higher. The maximum benefit period for disabilities due to mental disorders or substance abuse is 24 months from the date of disability per occurrence, with a maximum lifetime benefit period of 60 months from the date of disability.

- Social Security Requirement: If, after 24 months of disability, the claimant has not been found eligible for Social Security Disability benefits, then the claimant will no longer be eligible for benefits from the EGID plan.

Benefit Offsets

- Sick leave

- Salary, wage, holiday pay, commission, or similar earnings from gainful employment, including salary increases and shared leave benefits

- Unemployment compensation benefits

- Social Security benefits related to the disability

- Benefits received under the provisions of the State of Oklahoma or any county retirement system, except those benefits that began prior to the onset of disability

- Workers' Compensation benefits

- 50% of any earnings while partially disabled or during rehabilitative employment

- Disability benefits paid by another group plan

- Subrogation

- Any overpayment of previous disability payments including retroactive Social Security Disability awards

Appendix B: Data for Valuation

Data on Disabled Lives at 12/31/2015

Table 1: Number of Active LTD Claims
by Year of Disability

Year of Disability	Male	Female	Total
2001 and earlier	17	32	49
2002	0	8	8
2003	3	17	20
2004	9	16	25
2005	9	14	23
2006	21	18	39
2007	8	31	39
2008	11	25	36
2009	15	33	48
2010	13	35	48
2011	17	29	46
2012	23	56	79
2013	15	32	47
2014	36	59	95
2015	17	42	59
Total	214	447	661

Table 2: Total Net Monthly Benefit
by Year of Disability

Year of Disability	Male	Female	Total
2001 and earlier	1,138	4,048	5,186
2002	0	400	400
2003	150	2,808	2,958
2004	703	3,053	3,756
2005	2,017	3,640	5,657
2006	3,840	5,828	9,669
2007	400	5,757	6,157
2008	1,293	5,375	6,668
2009	1,420	10,374	11,794
2010	2,164	9,353	11,517
2011	4,007	5,654	9,661
2012	4,050	12,640	16,690
2013	2,895	6,381	9,276
2014	15,824	33,394	49,219
2015	10,934	35,833	46,767
Total	50,835	144,539	195,375

Table 3: Number of Active LTD Claims
by Age at Disability

Age at Disability	Male	Female	Total
< 20	-	-	-
20-24	-	1	1
25-29	3	2	5
30-34	4	12	16
35-39	12	33	45
40-44	23	56	79
45-49	50	108	158
50-54	65	117	182
55-59	35	90	125
60-64	21	27	48
65+	1	1	2
Total	214	447	661

Table 4: Total Net Monthly Benefit
by Age at Disability

Age at Disability	Male	Female	Total
< 20	-	-	-
20-24	-	627	627
25-29	2,743	1,137	3,880
30-34	1,556	4,525	6,082
35-39	3,591	14,871	18,462
40-44	3,953	17,100	21,053
45-49	9,043	35,628	44,671
50-54	14,651	32,911	47,561
55-59	8,513	27,869	36,382
60-64	6,402	8,445	14,847
65+	383	1,427	1,810
Total	50,835	144,539	195,375

General

- Valuation Date: 12/31/2015
- Discount Rate: 3.50%
- Claim Expenses: 5.50% of benefits

Long Term Disability

- Claim Termination Rates: 100% of 2012 Group Long-Term Disability Table, with no Own Occupation Period Adjustment
- Future Offset Approval Rates: 85% of currently unapproved claimants employed 5 years or more. 50% of currently unapproved claimants employed less than 5 years. No future offsets are assumed on claimants with mental disorders, or on claimants disabled more than three years, except to the extent that specific situations are discussed and reviewed with EGID.
- Future Offset Amounts: 85% of the gross benefit
- Incurred But Not Reported Claims: 50% of the estimated LTD incurred claims for the current year, as determined from the prior year's premium study
- Overpayments Recoverable: 45% of the outstanding overpayment balance on active LTD claims as of the valuation date

Short Term Disability

- Liability for Active and Incurred But Not Reported Claims (combined): Hybrid method based on completion factors and unit cost projection methods. Ultimate completion factors are developed using the average of the prior twelve months of lag factors excluding the minimum and maximum outlier values. In situations where the estimated credibility of the completion factors is less than 100%, a credibility weighted average of the incurred claims based on completion factors and incurred claims based on a unit cost projection method is used. This method includes a 10% provision for adverse deviation.

Risk Based Capital

- Asset Risk: 30.0% of equities, 1.5% of fixed income securities, and 0.4% of cash
- Pricing Risk: 25% of prior year's premium, plus 5% of year-end liabilities
- Operational Risk: 0.5% of prior year's premium
- Total RBC: 125% of the sum of Asset Risk, Pricing Risk, and Operational Risk

Appendix D: Reliance Items

In preparing this summary report, we have relied on many sources of information provided to us by EGID, the principal items of which are listed below:

- The EGID Disability Handbook and Agency Rules
- Disability claim listings as from 12/31/2007 through 12/31/2015, including manual calculations on benefit amounts for specific claimants
- Detail on overpayment balances and offsets from 12/31/2007 through 12/31/2015
- The risk based capital spreadsheet, including the assumptions used in the calculation and the 12/31/2015 asset and premium values
- Various financial items, including historical premiums, benefits, and expenses
- Written and oral communications with EGID staff, its auditors, and its other actuaries, including specific guidance from the auditors on the applicability of GASB Statement 43, as documented in the April 16, 2009 memo from KPMG