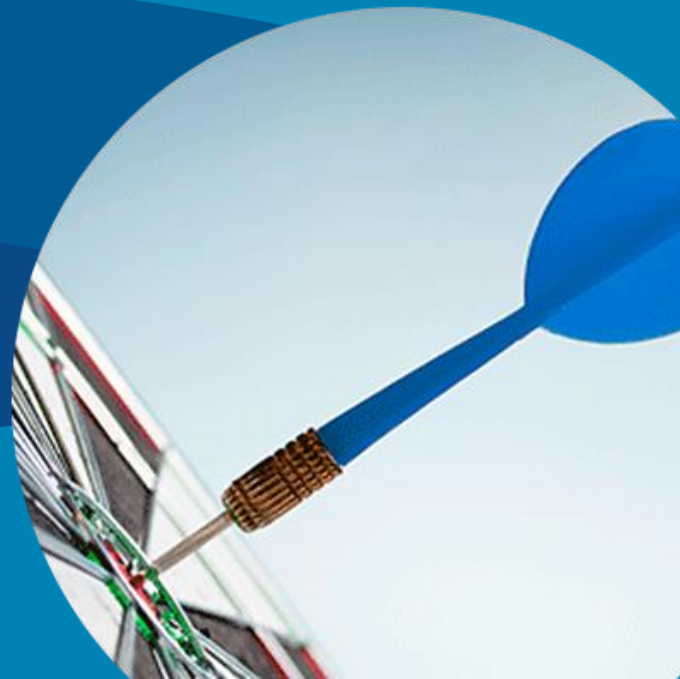


Accumulated Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of
December 31, 2018

June 2019



Accumulated Sick Leave Conversion Credit Programs - Valuation

- Benefit provided to State of Wisconsin employees and eligible dependents
 - Covers cost of health insurance premiums until sick leave credits are exhausted
- Assets based on Market Recognition Account developed for Wisconsin Retirement System (WRS) valuation
- Assumptions & actuarial cost method consistent with WRS valuation

Accumulated Sick Leave Conversion Credit Program (ASLCC)

	<u>Base Plan</u>
Eligibility	Termination with 20 or more years of WRS creditable service (not necessarily all State Service)
ASLCC Credits	Credit computed at time of retirement or death = (# days unused sick leave) x (highest basic pay rate)

Conversion credit used to cover cost of Health Insurance premiums for Employee and Dependents. Unused portion carried forward without interest.

Supplemental Health Insurance Conversion Credit Program (SHICC)

<u>Supplemental Plan</u>			
Eligibility	Termination with at least 15 years of continuous service with State of Wisconsin (completely separate from WRS creditable service)		
SHICC Matching Credits	Employment <u>Category</u>	First 24 Years of <u>Service</u>	Over 24 Years of <u>Service</u>
	Protective	78 Hours/year	104 Hours/year
	Non-Protective	52 Hours/year	104 Hours/year

Conversion credit used to cover cost of Health Insurance premiums for Employee and Dependents. Unused portion carried forward without interest.

Summary of Participant Data Report Page 3

Active Participants

	State Employees			
	(Non-University)	University	University Hospital	Total
Number	31,817	31,006	8,847	71,670
Annual Payroll	\$1,854,040,673	\$2,498,897,911	\$595,696,318	\$4,948,634,902
Accrued Unused Sick Days	2,630,228 days	2,758,492 days	346,174 days	5,734,894 days
Averages: Age	44.8 years	46.4 years	40.8 years	45.0 years
Service	11.6 years	10.8 years	8.1 years	10.8 years
Sick Leave Days	82.7 days	89.0 days	39.1 days	80.0 days

Summary of Participant Data Report Page 3

Retirees and Beneficiaries Currently in Pay Status

	Rate Category		
	Total	Pre-65	Post-65
1. Number	17,089	4,543	12,546
2. Monthly Premium Amounts for Retirees Currently in Pay Status*	\$13,107,344	\$5,257,789	\$7,849,555
3. Annual Premiums for Retirees Currently in Pay Status: (2)x12	\$157,288,128		
4. Reported Premiums from Financial Statements	\$166,835,041		
5. Ratio of Reported to Annualized Premium Amounts: (4)/(3)	1.0607		
6. Adjusted Monthly Premiums: (2)/(1)x(5)		\$1,227.59	\$663.64
First Prior Year		\$1,191.82	\$711.16
Second Prior Year		\$1,184.50	\$736.19

* Retirees in pay status are currently using sick leave to cover the cost of health insurance premiums.

In addition to the above, there are 17,599 retirees who may enter pay status at a later date.

Summary of ASLCC Asset Data Report Page 4

	<u>Base Program</u>	<u>Supplemental Program</u>	<u>Total</u>
Beginning Balance	\$1,565,241,776	\$993,307,682	\$2,558,549,458
Adjustment	(9,390,687)	(5,637,962)	(15,028,649)
Adjusted Beginning Balance	\$1,555,851,089	\$987,669,720	\$2,543,520,809
Revenues			
Contributions	\$ 36,465,255	\$ 18,206,051	\$ 54,671,306
Investment Income	73,663,156	47,081,101	120,744,257
Total Revenues	\$ 110,128,411	\$ 65,287,152	\$ 175,415,563
Expenses			
Insurance Premiums	\$ 113,113,131	\$ 53,721,910	\$ 166,835,041
Administration	413,072	261,661	674,733
Total Expenses	\$ 113,526,203	\$ 53,983,571	\$ 167,509,774
Ending Balance - December 31, 2018	<u>\$1,552,453,297</u>	<u>\$998,973,301</u>	<u>\$2,551,426,598</u>
Internal Rate of Return	4.9%	4.9%	4.9%

Based on Market Recognition Account and provided by ETF

December 31, 2018 ASLCC Valuation Results

– Employer Contribution Rates Report Page 1

Valuation Date	Base	Supplemental	Total	UAAL* Amortization Years
December 31				
2009^	0.8%	0.4%	1.2%	16
2010^	0.8%	0.4%	1.2%	15
2011	0.9%	0.4%	1.3%	14
2012^	0.9%	0.5%	1.4%	13
2013	0.8%	0.4%	1.2%	12
2014	0.8%	0.4%	1.2%	11
2015^	0.9%	0.4%	1.3%	10
2016	0.8%	0.4%	1.2%	9
2017	0.8%	0.3%	1.1%	8
2018^	0.9%	0.3%	1.2%	7

* *Unfunded Actuarial Accrued Liabilities*

^ *Assumption change*

Concluding Remarks

- During 2018, investment return on a market value basis was < assumed level of 7.0%
- The Market Recognition Account phases-in gains and losses over 5 years -- resulting in a 4.9% return on a smoothed basis
 - This led to contribution rates increasing relative to the prior year
 - Given actuarial assumptions are realized, expect upward contribution pressure in future years

Disclaimers

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Brian Murphy, Mark Buis and James Anderson are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- This is one of multiple documents comprising the actuarial report. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full report entitled “Accumulated Sick Leave Conversion Credit Programs Annual Actuarial Valuation, December 31, 2018.”
- If you need additional information to make an informed decision about the contents of this presentation or the contents of the full report, or if anything appears to be missing or incomplete, please contact us before making use of the information.