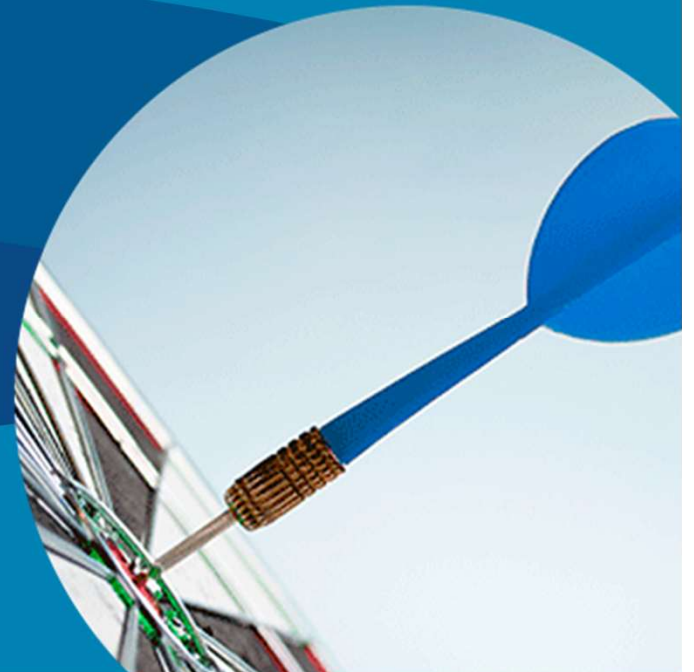




Accumulated Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of
December 31, 2019

June 2020



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 5-year smoothing of investment earnings known as the 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) or eligible for an immediate annuity
ASLCC Credits	Credit computed at time of retirement, disability, or death while employed = (# 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	<u>Employment Category</u>	<u>First 24 Years of Service</u>	<u>Over 24 Years of 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	32,307	31,536	9,316	73,159
Annual Payroll	\$1,902,377,085	\$2,641,849,124	\$633,238,868	\$5,177,465,077
Accrued Unused Sick Days	2,636,678 days	2,777,033 days	358,822 days	5,772,533 days
Averages: Age	44.7 years	46.3 years	40.6 years	44.9 years
Service	11.4 years	10.7 years	8.0 years	10.7 years
Sick Leave Days	81.6 days	88.1 days	38.5 days	78.9 days

Terminated Vested Participants

Number	Base Sick Leave Balance	Supplemental Sick Leave Balance	Total Sick Leave Balance
414	\$16,393,605	\$10,617,579	\$27,011,184



Summary of Participant Data Report Page 3

Retirees & Beneficiaries

Status	Number	Base Sick Leave Balance	Supplemental Sick Leave Balance	Total Sick Leave Balance
Premium > \$0 and account status of active	17,593	\$580,695,137	\$946,189,682	\$1,526,884,819
Premium > \$0, sick leave balance >\$0, and account status other than active	4,910	49,712,437	58,651,054	108,363,491
Premium = \$0, sick leave balance > \$0	6,293	234,640,331	163,942,329	398,582,660
Sick leave balance = \$0	8,462	0	0	0
Total	37,258	\$865,047,905	\$1,168,783,065	\$2,033,830,970



Average Premium Calculation Report Page 4

	Rate Category		
	Total	Pre-65	Post-65
1. Number*	17,559	4,275	13,284
2. Monthly Premium Amounts for Retirees Currently in Pay Status*	\$12,660,218	\$5,253,731	\$7,406,487
3. Annual Premiums for Retirees Currently in Pay Status: (2)x12	\$151,922,616		
4. Reported Premiums from Financial Statements	\$164,580,396		
5. Ratio of Reported to Annualized Premium Amounts: (4)/(3)	1.0833		
6. Adjusted Monthly Premiums: (2)/(1)x(5)		\$1,331.31	\$603.99
First Prior Year		\$1,227.59	\$663.64
Second Prior Year		\$1,191.82	\$711.16

* Retirees with an account status of active and currently using sick leave to cover the cost of health insurance premiums. Excludes pre-65 retirees currently enrolled in a Medicare health care plan.



Summary of ASLCC Asset Data Report Page 5

	<u>Base Program</u>	<u>Supplemental Program</u>	<u>Total</u>
Beginning Balance	\$1,552,453,297	\$998,973,301	\$2,551,426,598
Adjustment	1,052	3,932	4,984
Adjusted Beginning Balance	<u>\$1,552,454,349</u>	<u>\$998,977,233</u>	<u>\$2,551,431,582</u>
Revenues			
Contributions	\$ 38,356,314	\$ 14,368,898	\$ 52,725,212
Investment Income	111,957,710	72,389,678	184,347,388
Total Revenues	<u>\$ 150,314,024</u>	<u>\$ 86,758,576</u>	<u>\$ 237,072,600</u>
Expenses			
Insurance Premiums	\$ 110,339,837	\$ 54,240,559	\$ 164,580,396
Other	127,630	54,861	182,491
Administration	528,131	339,791	867,922
Total Expenses	<u>\$ 110,995,598</u>	<u>\$ 54,635,211</u>	<u>\$ 165,630,809</u>
Ending Balance - December 31, 2019	<u><u>\$1,591,772,775</u></u>	<u><u>\$1,031,100,598</u></u>	<u><u>\$2,622,873,373</u></u>
Internal Rate of Return	7.4%	7.4%	7.4%

Based on Market Recognition Account and provided by ETF.



December 31, 2019 ASLCC Valuation Results – Employer Contribution Rates Report Page 1

Valuation Date December 31	Base	Supplemental	Total	UAAL* Amortization Years
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
2019	0.8%	0.3%	1.1%	6

* *Unfunded Actuarial Accrued Liabilities*

^ *Assumption change*



Concluding Remarks

- This year's results were affected by an approximate 9.0% decrease in the average post-65 premium. While this decrease may be partly due to a differing mix of plan selection, the 2020 post-65 Group Health Insurance Plan rates were lower than the 2019 rates.
- During 2019, investment return on a market value basis was greater than the assumed level of 7.0%
- The Market Recognition Account phases-in gains and losses over 5 years -- resulting in a 7.4% return on a smoothed basis
 - This led to contribution rates decreasing relative to the prior year
 - If actuarial assumptions are realized, there will be downward contribution pressure in future years
 - This is a big if given the current volatility in the investment markets

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 (MAAA) 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, 2019.”
- 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.

