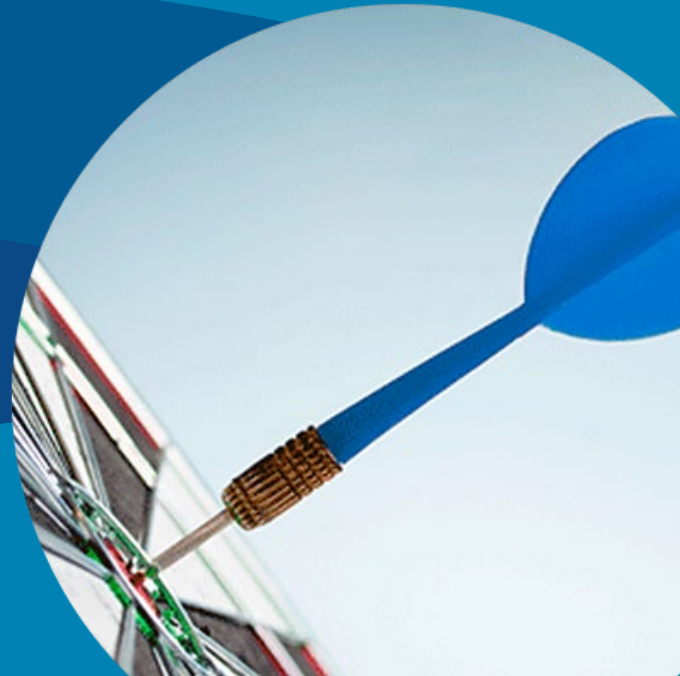




Wisconsin Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of
December 31, 2020

June 2021



Wisconsin 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>ASLCC 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 credits used to cover cost of Health Insurance premiums for Employee and Dependents. Unused portion carried forward without interest and may be continued to an insured spouse after the death of the primary annuitant.

Supplemental Health Insurance Conversion Credit Program (SHICC)

<u>SHICC 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 credits used to cover cost of Health Insurance premiums for Employee and Dependents. Unused portion carried forward without interest and may be continued to an insured spouse after the death of the primary annuitant.

Summary of Participant Data Report Page 3

Active Participants

	State Employees (Non-University)	University	University Hospital	Total
Number	33,220	31,347	9,532	74,099
Annual Payroll	\$2,053,388,106	\$2,394,918,114	\$655,053,085	\$5,103,359,305
Accrued Unused Sick Days	2,727,926 days	2,810,532 days	364,619 days	5,903,077 days
Averages: Age	44.7 years	46.2 years	40.5 years	44.8 years
Service	11.4 years	10.7 years	7.9 years	10.6 years
Sick Leave Days	82.1 days	89.7 days	38.3 days	79.7 days

Terminated Vested Participants

Number	ASLCC Sick Leave Balance	SHICC Sick Leave Balance	Total Sick Leave Balance
423	\$17,193,204	\$11,014,908	\$28,208,112



Summary of Participant Data Report Page 3

Retirees & Beneficiaries

Status	Number	ASLCC Sick Leave Balance	SHICC Sick Leave Balance	Total Sick Leave Balance
Annuitants Actively Using Sick Leave Credits	17,979	\$609,822,789	\$ 988,055,617	\$1,597,878,406
Escrowed/On-Hold Annuitants	5,804	262,195,771	190,539,606	452,735,377
Total	23,783	872,018,560	1,178,595,223	2,050,613,783

In addition to the counts above, an additional 15,857 annuitants were excluded from the valuation due to having an account status of closed or being reported with a \$0 sick leave balance.

Average Premium Calculation Report Page 5

	Rate Category		
	Total	Pre-65	Post-65
1. Number*	18,106	4,171	13,935
2. Monthly Premium Amounts for Retirees Currently in Pay Status*	\$ 13,179,921	\$5,250,009	\$7,929,912
3. Annual Premiums for Retirees Currently in Pay Status: (2)x12	\$158,159,052		
4. Reported Premiums from Financial Statements	\$156,004,006		
5. Ratio of Reported to Annualized Premium Amounts: (4)/(3) not less than 1	1.0		
6. Adjusted Monthly Premiums: (2)/(1)x(5)		\$ 1,258.69	\$ 569.06
First Prior Year		\$ 1,331.31	\$ 603.99
Second Prior Year		\$ 1,227.59	\$ 663.64

* Retirees with an account status of active and a premium amount populated in the data provided (some of whom have exhausted their sick leave credits). Excludes pre-65 retirees currently enrolled in a Medicare health care plan. These members were excluded from the average premium calculation because the averages are used to project future premiums of people not covered by Medicare. The number counts above were used strictly for developing average premiums and may be different from retiree counts shown throughout this presentation.

Summary of Sick Leave Asset Data Report Page 6

	<u>ASLCC Program</u>	<u>SHICC Program</u>	<u>Total</u>
Beginning Balance	\$1,591,772,775	\$1,031,100,598	\$2,622,873,373
Adjustment	8,513,683	(8,634,103)	(120,420)
Adjusted Beginning Balance	<u>\$1,600,286,458</u>	<u>\$1,022,466,495</u>	<u>\$2,622,752,953</u>
Revenues			
Contributions	\$ 45,222,516	\$ 15,080,311	\$ 60,302,827
Investment Income	164,760,484	105,654,833	270,415,317
Total Revenues	<u>\$ 209,983,000</u>	<u>\$ 120,735,144</u>	<u>\$ 330,718,144</u>
Expenses			
Insurance Premiums	\$ 106,522,088	\$ 49,481,918	\$ 156,004,006
Other	0	0	0
Administration	662,952	639,658	1,302,610
Total Expenses	<u>\$ 107,185,040</u>	<u>\$ 50,121,576</u>	<u>\$ 157,306,616</u>
Ending Balance - December 31, 2019	<u><u>\$1,703,084,418</u></u>	<u><u>\$1,093,080,063</u></u>	<u><u>\$2,796,164,481</u></u>
Internal Rate of Return	10.5%	10.5%	10.5%

Based on Market Recognition Account and provided by ETF.



December 31, 2020 Sick Leave Valuation Results – Employer Contribution Rates Report Page 1

Valuation Date December 31	Fiscal Year Ending December 31	ASLCC	SHICC	Total	UAAL* Amortization Years
2011	2013	0.9%	0.4%	1.3%	14
2012 [^]	2014	0.9%	0.5%	1.4%	13
2013	2015	0.8%	0.4%	1.2%	12
2014	2016	0.8%	0.4%	1.2%	11
2015 [^]	2017	0.9%	0.4%	1.3%	10
2016	2018	0.8%	0.4%	1.2%	9
2017	2019	0.8%	0.3%	1.1%	8
2018 [^]	2020	0.9%	0.3%	1.2%	7
2019	2021	0.8%	0.3%	1.1%	6
2020	2022	0.7%	0.1%	0.8%	5

* *Unfunded Actuarial Accrued Liabilities*

[^] *Assumption change*



Concluding Remarks

- This year's results were affected by an approximate 7.0% decrease in the average post-65 premium
- During 2020, 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 10.5% 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 “Wisconsin Accumulated Sick Leave Conversion Credit Programs Annual Actuarial Valuation, December 31, 2020.”
- 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.