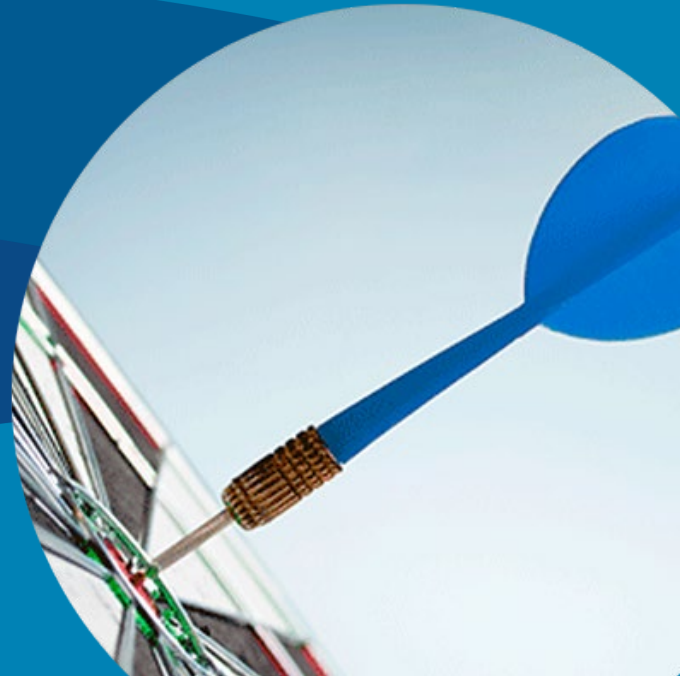




Wisconsin Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of
December 31, 2021

June 2022



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 in connection with 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 (not the same as 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	32,359	30,738	9,604	72,701
Annual Payroll	\$2,074,127,892	\$2,429,610,508	\$684,731,947	\$5,188,470,347
Accrued Unused Sick Days	2,690,771 days	2,800,228 days	365,719 days	5,856,718 days
Averages: Age	44.9 years	46.2 years	40.7 years	44.9 years
Service	11.4 years	10.9 years	8.0 years	10.8 years
Sick Leave Days	83.2 days	91.1 days	38.1 days	80.6 days

Terminated Vested Participants

Number	ASLCC Sick Leave Balance	SHICC Sick Leave Balance	Total Sick Leave Balance
459	\$18,580,967	\$11,934,585	\$30,515,552



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	18,513	\$646,558,765	\$ 1,032,379,739	\$1,678,938,504
Escrowed/On-Hold Annuitants	5,788	262,018,568	189,263,805	451,282,373
Total	24,301	908,577,333	1,221,643,544	2,130,220,877

In addition to the counts above, annuitants provided in the data with any of the following were excluded from the valuation:

- An account status other than active, escrowed or on-hold (i.e., closed, canceled, ineligible, etc.); or
- A \$0 sick leave balance.

Average Premium Calculation Report Page 5

Retirees and Beneficiaries

	Rate Category	
	Non-Medicare	Medicare
Number of 1-Person Contracts*	2,142	7,200
Total Monthly Premium of 1-Person Contracts	\$1,830,381	\$2,642,501
Average 1-Person Premium as of 1/1/2022 (2./1.)	\$ 854.52	\$ 367.01
Number of Multiple-Person Contracts*	1,935	7,171
Total Monthly Premium of Multiple-Person Contracts	\$3,539,005	\$5,310,512
Average Multiple-Person Premium as of 1/1/2022 (5./4.)	\$ 1,828.94	\$ 740.55
Average Net Premium as of 1/1/2022 (50%*3. + 50%*6.)^	\$ 1,341.73	\$ 553.78

* 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). The number counts above were used strictly for developing average premiums and may be different from retiree counts shown throughout this report.

^ Used in the valuation of all non-active annuitants (i.e., current actives, preserved members and on-hold/escrowed Retirees). For active annuitants, the actual premiums provided in the data are used. Net premium is a blend of the 1-person and 2-person average premiums based on the 50% 1-person/2-person election percent assumption.

Summary of Sick Leave Asset Data Report Page 6

	ASLCC Program	SHICC Program	Total
Beginning Balance	\$1,703,084,418	\$1,093,080,063	\$2,796,164,481
Adjustment	45,792	(116,799)	(71,007)
Adjusted Beginning Balance	\$1,703,130,210	\$1,092,963,264	\$2,796,093,474
Revenues			
Contributions	\$ 41,746,264	\$ 15,657,937	\$ 57,404,201
Investment Income	208,503,408	134,373,597	342,877,005
Total Revenues	\$ 250,249,672	\$ 150,031,534	\$ 400,281,206
Expenses			
Insurance Premiums	\$ 111,723,140	\$ 52,608,782	\$ 164,331,922
Other	0	0	0
Administration	709,799	710,274	1,420,073
Total Expenses	\$ 112,432,939	\$ 53,319,056	\$ 165,751,995
Ending Balance - December 31, 2019	<u>\$1,840,946,943</u>	<u>\$1,189,675,742</u>	<u>\$3,030,622,685</u>
Internal Rate of Return	12.5%	12.5%	12.5%

Based on Market Recognition Account and provided by ETF.



December 31, 2021 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
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
2021 [^]	2023	0.7%	0.2%	0.9%	4

* *Unfunded Actuarial Accrued Liabilities*

[^] *Assumption change*



Concluding Remarks

- This year's results were affected by assumption changes adopted pursuant to the three-year experience study covering the period January 1, 2018 to December 31, 2020 including the adoption of a 6.8% investment return assumption.
- During 2021, 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 12.5% return on a smoothed basis
 - This put downward pressure on contribution rates
 - 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, 2021.”
- 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.