



# Wisconsin Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of December 31, 2022

June 2023



# Wisconsin Sick Leave Conversion Credit Programs - Valuation

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- 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 and actuarial cost method consistent with the WRS valuation



# Accumulated Sick Leave Conversion Credit Program (ASLCC/Basic)

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	<b>ASLCC Plan</b>
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.

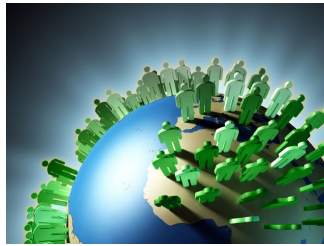


# Supplemental Health Insurance Conversion Credit Program (SHICC/Supplemental)

SHICC Plan			
Eligibility	Termination with at least 15 years of continuous service with State of Wisconsin (not the same as WRS creditable service)		
	<b>Employment Category</b>	<b>First 24 Years of Service</b>	<b>Over 24 Years of Service</b>
SHICC Matching Credits	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	32,102	31,787	10,065	73,954
Annual Payroll	\$2,167,949,202	\$2,635,489,737	\$768,457,061	5,571,896,000
Accrued Unused Sick Days	2,672,790 days	2,820,096 days	357,956 days	5,850,542 days
Averages: Age	44.8 years	45.8 years	40.6 years	44.7 years
Service	11.3 years	10.7 years	7.9 years	10.5 years
Sick Leave Days	83.3 days	88.7 days	35.6 days	79.1 days

## Terminated Vested Participants

Number	Basic Sick Leave Balance	Supplemental Sick Leave Balance	Total Sick Leave Balance
530	\$21,890,667	\$14,266,526	\$36,157,193

# Summary of Participant Data Report Page 3

## Retirees & Beneficiaries

Status	Number	ASLCC Sick Leave Balance	SHICC Sick Leave Balance	Total Sick Leave Balance
Active Annuitants with 1-Person Coverage	9,625	\$271,401,382	\$ 447,230,907	\$ 718,632,289
Active Annuitants with Multi-Person Coverage	9,436	410,575,321	629,060,513	1,039,635,834
Escrowed/On-Hold Annuitants	5,927	270,241,649	195,049,789	465,291,438
<b>Total</b>	<b>24,988</b>	<b>952,218,352</b>	<b>1,271,341,209</b>	<b>2,223,559,561</b>

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.



# Blended Net Premium Calculation Report Page 5

## Retirees and Beneficiaries

	Rate Category	
	Non-Medicare	Medicare
1. Number of 1-Person Contracts <sup>(1)</sup>	2,121	7,496
2. Total Monthly Premium of 1-Person Contracts	\$1,885,000	\$2,662,289
3. Average 1-Person Premium as of 1/1/2023 (2./1.)	\$ 888.73	\$ 355.16
4. Number of Multiple-Person Contracts <sup>(1)</sup>	1,874	7,352
5. Total Monthly Premium of Multiple-Person Contracts	\$3,612,002	\$5,275,659
6. Average Multiple-Person Premium as of 1/1/2023 (5./4.)	\$ 1,927.43	\$ 717.58
<b>7. Blended Net Premium as of 1/1/2023 (50%*3. + 50%*6.)<sup>(2)</sup></b>	<b>\$ 1,408.08</b>	<b>\$ 536.37</b>
First Prior Year	\$ 1,341.73	\$ 553.78

<sup>(1)</sup> Retirees with an account status of active, a premium populated in the data provided and a sick leave balance greater than \$0. The number counts above were used strictly for developing blended net premiums and may be different from retiree counts shown throughout this presentation.

<sup>(2)</sup> Used in the valuation of all non-active annuitants (i.e., current actives, preserved members and on-hold/escrowed annuitants). For active annuitants, the actual premiums provided in the data are used. Blended 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

	<b>ASLCC Program</b>	<b>SHICC Program</b>	<b>Total</b>
Beginning Balance	\$1,840,946,943	\$1,189,675,742	\$3,030,622,685
Adjustment	(55,849)	(145,862)	(201,711)
Adjusted Beginning Balance	<u>\$1,840,891,094</u>	<u>\$1,189,529,880</u>	<u>\$3,030,420,974</u>
<b>Revenues</b>			
Contributions	\$ 38,022,713	\$ 5,437,688	\$ 43,460,401
Investment Income	113,162,027	73,280,371	186,442,398
Total Revenues	<u>\$ 151,184,740</u>	<u>\$ 78,718,059</u>	<u>\$ 229,902,799</u>
<b>Expenses</b>			
Insurance Premiums	\$ 114,397,925	\$ 52,511,215	\$ 166,909,140
Other	0	0	0
Administration	716,551	678,378	1,394,929
Total Expenses	<u>\$ 115,114,476</u>	<u>\$ 53,189,593</u>	<u>\$ 168,304,069</u>
Ending Balance - December 31, 2022	<u><u>\$1,876,961,358</u></u>	<u><u>\$1,215,058,346</u></u>	<u><u>\$3,092,019,704</u></u>
Internal Rate of Return	6.3%	6.3%	6.3%



Based on Market Recognition Account and provided by ETF.



# December 31, 2022 Sick Leave Valuation Results – Employer Contribution Rates Report Page 1

Valuation Date December 31	Fiscal Year Ending December 31	ASLCC	SHICC	Total	UAAL <sup>(1)</sup> Amortization Years
2013	2015	0.8%	0.4%	1.2%	12
2014	2016	0.8%	0.4%	1.2%	11
2015 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	2023	0.7%	0.2%	0.9%	4
2022	2024	0.7%	0.2%	0.9%	3

<sup>(1)</sup>Unfunded Actuarial Accrued Liabilities are for one employer (Beyond Vision, formerly Wiscraft)

<sup>(2)</sup>Assumption change



# Concluding Remarks

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During 2022, the increase in the average premiums was lower than anticipated based on actuarial assumptions

During 2022, investment return on a market value basis was less than the assumed level of 6.8%

The Market Recognition Account phases-in gains and losses over 5 years -- resulting in a 6.3% return on a smoothed basis

- This put upward pressure on contribution rates
- If actuarial assumptions are realized, there will be upward contribution pressure in future years
- This is a big “if” given the current volatility in the investment markets



# Disclaimers

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- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- Brian Murphy, Mark Buis and Richard Koch Jr. 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, 2022.”
- 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.

