Wisconsin Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of December 31, 2023

June 2024

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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 and actuarial cost method consistent with the WRS valuation

Accumulated Sick Leave Conversion Credit Program (ASLCC/Basic)

	ASLCC Plan
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.

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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)		
SHICC Matching Credits	**Employment Category**	**First 24 Years of Service**	**Over 24 Years of Service**
	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.			

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Summary of Participant Data Report Page 3
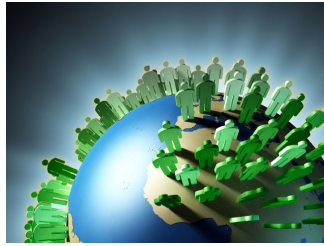
Active Participants

	State Employees (Non-University)	University	University Hospital	Total
Number	32,747	33,055	10,748	76,550
Annual Payroll	$2,543,517,574	$2,889,636,573	$850,364,861	$6,283,519,008
Accrued Unused Sick Days	2,688,441 days	2,879,045 days	369,834 days	5,937,320 days
Averages: Age	44.6 years	45.5 years	40.4 years	44.4 years
Service	11.1 years	10.5 years	7.7 years	10.4 years
Sick Leave Days	82.1 days	87.1 days	34.4 days	77.6 days

Terminated Vested Participants

Number	Basic Sick Leave Balance	Supplemental Sick Leave Balance	Total Sick Leave Balance
524	$20,927,375	$13,499,514	$34,426,889

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	9,664	$277,547,433	$ 461,379,037	$ 738,926,470
Active Annuitants with Multi-Person Coverage	9,414	419,087,981	643,126,371	1,062,214,352
Escrowed/On-Hold Annuitants	6,019	278,206,444	200,684,136	478,890,580
Total	25,097	974,841,858	1,305,189,544	2,280,031,402

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

- An account that is in a closed status; or
- A new account that is still being processed and has a status of pending; or
- An account with a $0 sick leave balance.

Summary of Sick Leave Asset Data Report Page 6

	ASLCC Program	SHICC Program	Total
Beginning Balance	$1,876,961,358	$1,215,058,346	$3,092,019,704
Adjustment	75,074	(45,111)	29,963
Adjusted Beginning Balance	$1,877,036,432	$1,215,013,235	$3,092,049,667
Revenues			
Contributions	$ 41,595,274	$ 11,889,477	$ 53,484,751
Other	26	0	26
Investment Income	161,180,286	104,652,053	265,832,339
Total Revenues	$ 202,775,586	$ 116,541,530	$ 319,317,116
Expenses			
Insurance Premiums	$ 113,161,557	$ 53,045,927	$ 166,207,484
Other	0	0	0
Administration	615,974	580,464	1,196,438
Total Expenses	$ 113,777,531	$ 53,626,391	$ 167,403,922
Ending Balance - December 31, 2023	$1,966,034,487	$1,277,928,374	$3,243,962,861
Internal Rate of Return	8.8%	8.8%	8.8%

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Based on Market Recognition Account and provided by ETF.

Blended Net Premium Calculation

Retirees and Beneficiaries

	Rate Category	
	Non-Medicare	Medicare
1. Number of 1-Person Contracts[1]	1,959	7,694
2. Total Monthly Premium of 1-Person Contracts	$1,935,681	$3,300,423
3. Average 1-Person Premium as of 1/1/2024 (2./1.)	$ 988.10	$ 428.96
4. Number of Multiple-Person Contracts[1,2]	1,329	6,642
5. Total Monthly Premium of Multiple-Person Contracts	$3,166,410	$5,250,356
6. Average Multiple-Person Premium as of 1/1/2024 (5./4.)	$ 2,382.55	$ 790.48
7. Blended Net Premium as of 1/1/2024 (50%*3. + 50%*6.)[3]	$ 1,685.33	$ 609.72
First Prior Year	$ 1,408.08	$ 536.37

[1] *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 average premiums and may be different from retiree counts shown throughout this report.*

[2] *Beginning with the December 31, 2023 valuation, excludes all split contracts where one person covered is non-Medicare and the other is Medicare.*

[3] *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.*

December 31, 2023 Sick Leave Valuation Results – Employer Contribution Rates Report Page 1

Valuation Date December 31	Fiscal Year Ending December 31	ASLCC	SHICC	Total	UAAL[1] Amortization Years
2014	2016	0.8%	0.4%	1.2%	11
2015[2]	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[2]	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[2]	2023	0.7%	0.2%	0.9%	4
2022	2024	0.7%	0.2%	0.9%	3
2023	2025	0.9%	0.3%	1.2%	2

[1]*Unfunded Actuarial Accrued Liabilities are for one employer Beyond Vision (formerly Wiscraft)*
[2]*Assumption change*

Concluding Remarks

During 2023, pays increases were higher than expected based on actuarial assumptions

During 2023, the increase in the premiums was higher than anticipated based on actuarial assumptions

During 2023, investment return on a market value basis was higher than the assumed level of 6.8%

The Market Recognition Account phases-in gains and losses over 5 years -- resulting in an 8.8% return on a smoothed basis

- Net result: increased contribution rates this year
- If actuarial assumptions are realized, there will be upward contribution pressure in future years

Disclaimers

- This presentation shall not be construed to provide tax advice, legal advice or investment advice.

- James D. Anderson 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, 2023."

- 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.