



Wisconsin Sick Leave Conversion Credit Programs

Annual Actuarial Valuation as of December 31, 2024

June 2025



Wisconsin Sick Leave Conversion Credit Programs (SLCC) - 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
 - 2024 valuation reflects the Board's adoption of new assumptions pursuant to the 2021-2023 Experience Study

Summary of Assumption Changes

- Reflect Wisconsin Retirement System experience study recommendations
 - State-specific demographic assumption changes
 - Confirmed economic assumptions
 - No changes to price inflation, wage inflation or investment return
- Reflect recommended Sick Leave specific assumptions developed in Wisconsin SLCC experience study
 - Update health care cost trend assumption
 - Decrease future retiree participation assumption from 100% to 95%
 - Decrease escrow/on-hold retiree usage assumption from 50% to 45%

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.

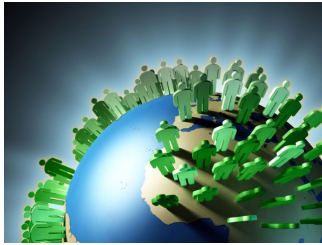


Supplemental Health Insurance Conversion Credit Program (SHICC/Supplemental)

	SHICC Plan		
Eligibility	Termination with at least 15 years of continuous service with State of Wisconsin (not the same as WRS creditable service)		
	Employment <u>Category</u>	First 24 Years of <u>Service</u>	Over 24 Years of <u>Service</u>
SHICC	Protective	78 Hours/year	104 Hours/year
Matching Credits	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	34,025	33,166	11,971	79,162
Annual Payroll	\$2,714,854,064	\$3,009,294,712	\$990,953,662	\$6,710,942,438
Accrued Unused Sick Days	2,742,179 days	2,887,587 days	385,887 days	6,015,653 days
Averages: Age	44.4 years	45.5 years	40.3 years	44.3 years
Service	10.9 years	10.5 years	7.3 years	10.2 years
Sick Leave Days	80.6 days	87.1 days	32.2 days	76.0 days

Terminated Vested Participants

Number	Basic Sick Leave Balance	Supplemental Sick Leave Balance	Total Sick Leave Balance
551	\$24,157,034	\$15,631,216	\$39,788,250

Summary of Participant Data Report Page 3

Retirees & Beneficiaries

Status	Number	ASLCC Sick Leave Balance	SHICC Sick Leave Balance	Total Sick Leave Balance
Current Retirees with 1-Person Coverage	9,763	\$285,091,077	\$ 478,566,309	\$ 763,657,386
Current Retirees with Multi-Person Coverage	9,269	422,661,454	650,432,824	1,073,094,278
Escrowed/On-Hold Retirees	5,999	278,867,333	202,647,523	481,514,856
Total	25,031	986,619,864	1,331,646,656	2,318,266,520

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

- An account that is in a closed status;
- A new account that is still being processed and has a status of pending; or
- An account with 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 ⁽¹⁾	1,883	7,876
2. Total Monthly Premium of 1-Person Contracts	\$2,001,101	\$3,748,657
3. Average 1-Person Premium as of 1/1/2025 (2./1.)	\$ 1,062.72	\$ 475.96
4. Number of Multiple-Person Contracts ^{(1),(2)}	1,164	6,780
5. Total Monthly Premium of Multiple-Person Contracts	\$2,983,301	\$6,006,036
6. Average Multiple-Person Premium as of 1/1/2025 (5./4.)	\$ 2,562.97	\$ 885.85
7. Blended Net Premium as of 1/1/2025 (50%*3. + 50%*6.)⁽³⁾	\$ 1,812.85	\$ 680.91
First Prior Year	\$ 1,685.33	\$ 609.72

⁽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 current employees, terminated vested members and escrowed/on-hold retirees. For retirees currently using sick leave credits, the valuation uses actual premiums provided in the data. Blended net premium is a blend of the 1-person and Multiple-person average premiums based on the 50% 1-person/Multiple-person election percent assumption.



Summary of Sick Leave Asset Data Report Page 6

	ASLCC Program	SHICC Program	Total
Beginning Balance	\$1,966,034,487	\$1,277,928,374	\$3,243,962,861
Adjustment	66,989	(57,642)	9,347
Adjusted Beginning Balance	\$1,966,101,476	\$1,277,870,732	\$3,243,972,208
Revenues			
Contributions	\$ 45,508,083	\$ 13,007,349	\$ 58,515,432
Other	55	0	55
Investment Income	137,092,769	89,437,184	226,529,953
Total Revenues	\$ 182,600,907	\$ 102,444,533	\$ 285,045,440
Expenses			
Insurance Premiums	\$ 127,558,943	\$ 63,083,787	\$ 190,642,730
Other	0	0	0
Administration	544,754	521,156	1,065,910
Total Expenses	\$ 128,103,697	\$ 63,604,943	\$ 191,708,640
Ending Balance - December 31, 2024	<u>\$2,020,598,686</u>	<u>\$1,316,710,322</u>	<u>\$3,337,309,008</u>
Internal Rate of Return	7.1%	7.1%	7.1%



Based on Market Recognition Account and provided by ETF.

Development of Contribution Rates

	ASLCC	SHICC
1. Present Value (PV) of Future Benefits	\$2,654,238,991	\$1,666,516,538
2. Assets	\$2,020,598,686	\$1,316,710,322
3. Unfunded Frozen Initial Liability	<u>\$6,091</u>	<u>\$5,196</u>
4. PV of Future Normal Cost (1. – 2. – 3.)	\$633,634,214	\$349,801,020
5. PV of Future Salary	\$63,313,362,524	\$63,313,362,524
6. Normal Cost Rate (4. / 5.)	1.0%	0.6%

December 31, 2024 Sick Leave Valuation Results – Employer Contribution Rates

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Valuation Date December 31	Fiscal Year Ending December 31	ASLCC	SHICC	Total	UAAL ⁽¹⁾ Amortization Years
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
2024 ⁽²⁾	2026	1.0%	0.6%	1.6%	1

⁽¹⁾ Unfunded Actuarial Accrued Liabilities are for one employer Beyond Vision (formerly Wiscraft).

⁽²⁾ Assumption change.



Reasons for Change in Contribution Rates

	ASLCC	SHICC
2023 Contribution Rate (2 decimals)	0.96%	0.34%
Effect of Asset Experience	-0.01%	-0.01%
Effect of Other Plan Experience (Demographics and Premiums)	0.07%	0.10%
Effect of Assumption Changes	<u>-0.02%</u>	<u>0.12%</u>
2024 Contribution Rate	1.00%	0.55%

Since ASLCC balances must be used first, the impact of changing assumptions, particularly the health care trend, will be different for the ASLCC Program versus the SHICC Program.

Note that while the rounded SHICC rate increased from 0.3% to 0.6%, you can see from the exhibit above that 0.1% of the increase is due to rounding.



Actuarial Audit of the Sick Leave Valuation

- Milliman performed an audit in late 2024
- Their report noted

“We independently calculated the key actuarial components for the ASLCC and SHICC programs as of December 31, 2023. Under the applicable actuarial cost method, the key actuarial components are the Present Value of Benefits and the Present Value of Future Earnings. We found that all significant benefit provisions were accounted for in an accurate manner, the actuarial assumptions and methods were applied correctly, and our total present values are moderately close to GRS’s calculations.”



Sick Leave Actuarial Audit: Valuation Report

Audit Recommendation	Plan of Action
Include the extent for which the census data was reviewed	<i>2024 valuation - added description</i>
Include the market value of assets for informational purposes	<i>2025 valuation: GRS will consider including the market value of assets</i>
Add the normal cost and amortization period under the Entry Age cost method for informational purposes	<i>2025 valuation: GRS will consider adding Entry Age results</i>

Sick Leave Actuarial Audit: Experience Study

Audit Recommendation	Plan of Action:2024-2026 Experience Study
Provide reasoning when changing methodology used to set an assumption	<i>GRS will add additional disclosure when changing methodology</i>
Review period of time from termination to commencement for escrowed members	<i>GRS will consider taking this into account</i>
Update post-withdrawal commencement age assumptions for active members to make consistent assumptions for current terminated vested members	<i>GRS will confirm the benefit commencement ages provided for current terminated vested members and review</i>

Sick Leave Actuarial Audit: Experience Study

Audit Recommendation	Plan of Action:2024-2026 Experience Study
Review sick leave accumulation assumption	<i>GRS will review the methodology again</i>
Review premium modeling	<i>GRS will review the premium methodology</i>

Concluding Remarks

Revised actuarial assumptions were reflected putting upward pressure on SHICC contribution rates

During 2024, the increase in health care premiums was higher than anticipated based on actuarial assumptions

During 2024, 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 7.1% return on a smoothed basis

- This put downward pressure on contribution rates
- If actuarial assumptions are realized, there will be upward pressure on contributions 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, 2024.”
- 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.

