



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: August 3, 2009
TO: Group Insurance Board
FROM: Marcia Blumer, Program Manager
Wisconsin Public Employers Group Life Insurance Program
SUBJECT: Wisconsin Public Employers (WPE) Group Life Insurance
2008 Policy Year Report and Recommendations

Staff recommends that the Board approve Minnesota Life Insurance Company's (MLIC) recommendation to increase premium rates for State spouse and dependent coverage and to decrease premium rates for local government employee coverage in the 50 through 59 age brackets.

A summary of the 2008 plan year claims can be found in the attached *Financial Experience Report*. The significant results of the 2008 policy year operations are highlighted in a MLIC letter, found at the front of this report. MLIC's premium recommendations for 2010 are in the attached State and local government plan reports.

State Plan Recommendations

Although claims experience in 2008 for the State employee plan was the best ever, it is not considered a fundamental improvement in the claims trend. MLIC recommends continuing the employee and employer contributions rates at current levels and analyzing the claims results for 2009 before considering a rate change in the employee plan.

Higher-than-expected claims experience in the State spouse and dependent plan has drawn the stabilization reserve balance below the targeted level. The stabilization reserve is maintained to provide financial stability for the spouse and dependent plan. As a result, MLIC recommends that the monthly premiums be increased from \$2.00 to \$2.50 per unit of coverage, effective on March 1, 2010.

Reviewed and approved by Tom Korpady, Division of Insurance Services.	
_____	_____
Signature	Date

Board	Mtg Date	Item #
GIB	8/25/2009	4

Local Government Plan Recommendations

Claims experience for the local government employee plan was better than the targeted level for the fourth consecutive year. Premium rates in the 50-54 age bracket will decrease from \$.27 to \$.23 per \$1,000 of insurance and the rates in the 55-59 age bracket will decrease from \$.44 to \$.43 per \$1,000. Based on this continuing positive experience, MLIC recommends that premium contributions be reduced for basic, supplemental, and additional insurance for ages 50 through 59. Consistent with the recommended reduction in premium contributions, the stop-loss rates for the local government plan will also decrease in the age 50 through 59 age brackets. The recommended rate change will be effective July 1, 2010.

Although 2008 local government spouse and dependent claims were higher than expected, excess claims are being drawn from the plan's stabilization reserve, which had grown to exceed the targeted level. Because of the large reserve balance, spouse and dependent premiums can be continued at their current level in 2010.

Attachments: Financial Experience Report
State Government Plan Report
Local Government Plan Report

Financial Experience Report

**State of Wisconsin
Group Insurance Board**

January 1, 2007 through December 31, 2007

Policy Number: 2832

Submitted by Minnesota Life Group Insurance

MINNESOTA LIFE

A Securian Company

June 30, 2009

The Group Insurance Board
801 West Badger Road
Madison, WI 53713

RE: EMPLOYEE LIFE INSURANCE PLAN
2008 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2008 policy year experience on the group life insurance plans for employees of the State of Wisconsin and participating local government employers. The most important developments on the plans during 2008 are summarized in this letter. Details may be found in the policy year report on the page(s) indicated following each section. Historical experience is presented on pages 17-29 for the State plan and on pages 43-55 for the local government plan.

STATE PLAN

PREMIUMS

- In August 2007, the Board approved increases in employee premium rates for additional insurance. These rates were implemented effective March 1, 2008 and increased premiums 3.2% overall. (Page 2)

CLAIMS

- In 2008, the employee plan had its best experience result ever, driven by very low life claims. (Pages 6, 7, 12 and 13)
- Claims on the spouse and dependent plan were higher than the target level and at their highest level since 2003. (Page 9)

OTHER BENEFITS

- This was the fourteenth year in which retired State employees were allowed to convert the value of their postretirement life insurance to an account to pay health insurance or long-term care insurance premiums. During 2008, a total of 126 retired State employees utilized this option, including 39 new elections in 2008 and 87 continuations of earlier elections. Ninety-five retired employees used the account to pay health insurance premiums and 31 used it for long-term care insurance premiums. Converted values for these employees are deducted from the plan's reserves at the time this option is elected. (Pages 14 and 59)

PLAN GROWTH

- The total number of insured active employees increased by over 700. On December 31, 2008, over 52,000 active employees, plus over 21,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 6% to over \$9.2 billion. (Pages 5 and 11)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.71%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2008 with funding of future benefits at a strong level. (Page 15)

LOCAL GOVERNMENT PLAN

PREMIUMS

- In August 2007, the Board approved reductions in employee premium rates for basic, supplemental and additional insurance. These reductions were implemented effective July 1, 2008 and reduced premiums 3.5% overall. (Page 3)

CLAIMS

- Claims were better than the target level in 2008, with low accidental death and waiver-of-premium disability claims. (Pages 32, 33, 38 and 39)
- Claims in 2008 on the spouse and dependent plan were lower than in 2007, but still higher than the current target level, which anticipates using the plan's reserves to cover excess claims. (Page 35)

OTHER BENEFITS

- This was the thirteenth year in which retired local employees were allowed to convert the value of their postretirement life insurance to pay health insurance premiums. Usage of this provision among local government retirees has been minimal, as only a small number participate in the Board's health insurance plans. The long-term care insurance plan offered through ETF is not available to local government employees. Only three people used this option during 2008. (Pages 40 and 59)

PLAN GROWTH

- The plan continued its steady growth. In 2008, nine local government employers entered the plan, and another six participating employers increased the number of coverages they offer to their employees. On December 31, 2008, a total of 695 employers participated.
- The total number of insured active employees increased by over 300. On December 31, 2008, over 77,000 active employees, plus over 30,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 5% to over \$9.7 billion. (Pages 31 and 37)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.69%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2008 with funding of future benefits at a strong level. (Page 41)

Respectfully submitted,

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul Rudeen, FSA
Vice President and Actuary
Group Insurance Division

RMO/PR:sb

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GROUP LIFE INSURANCE PLANS

I. Plan Summary

The group life insurance plan for State of Wisconsin employees began on January 1, 1958; the group life insurance plan for local government employees began on January 1, 1960. These plans provide term life insurance for both active and retired employees. Employees may also insure their spouses and dependent children.

A. State of Wisconsin - Employee Insurance

Both active and retired State employees are eligible for a basic term insurance plan. Employees also receive accidental death and dismemberment insurance equal to their life insurance until age 65. If an insured employee continues in employment, benefits continue beyond age 65 until the earlier of retirement or attainment of age 70. The waiver of premium benefit provides free insurance to disabled employees under age 70.

Insurance for all employees under age 65 and for active employees ages 65 to 69 is equal to earnings under the Wisconsin Retirement System for the previous calendar year rounded to the next higher thousand dollars. At age 65, insurance reduces to 75% of the insurance then in force. At age 66, insurance reduces to 50% of the insurance in force prior to age 65. For active employees over age 65, these reductions are delayed until the earlier of retirement or attainment of age 70. A retired employee retains lifetime coverage in a reduced amount.

A supplemental insurance plan provides added term insurance for active employees equal to 100% of insurance under the basic plan. Prior to April 24, 1990, an employee could alternatively select supplemental insurance equal to 50% of insurance under the basic plan. Employees enrolled under that alternative may maintain that level of coverage. The supplemental insurance terminates on the later of the employee's 65th birthday or retirement but in no event beyond the employee's 70th birthday.

An additional insurance plan offers extra coverage on an employee-pay-all basis. Effective May 1, 1998, an employee may elect up to three units of additional insurance. Each unit provides coverage equal to 100% of insurance under the basic plan. The additional insurance terminates on the later of the employee's 65th birthday or retirement. An employee who continues in active employment beyond age 70 may maintain the additional insurance coverage by continued payment of premiums.

Employees pay premiums to cover the major portion of the cost of the basic and supplemental coverages during active employment. Employees pay premiums to cover the entire cost of the additional insurance. Employee premium rates in effect during 2008 were as shown in the table on the following page.

GROUP LIFE INSURANCE PLANS

Monthly Premium per \$1,000 of Insurance

<u>Attained Age</u>	<u>1-1-2008 through 2-28-2008</u>			<u>3-1-2008 through 12-31-2008</u>		
	<u>Basic</u>	<u>Supplemental</u>	<u>Additional</u>	<u>Basic</u>	<u>Supplemental</u>	<u>Additional</u>
Under 30	\$.05	\$.05	\$.06	\$.05	\$.05	\$.07
30-34	.05	.05	.07	.05	.05	.08
35-39	.05	.05	.07	.05	.05	.08
40-44	.07	.07	.09	.07	.07	.10
45-49	.11	.11	.15	.11	.11	.17
50-54	.18	.18	.24	.18	.18	.27
55-59	.28	.28	.38	.28	.28	.42
60-64	.38	.38	.51	.38	.38	.57
65-69	.50	.50	.68	.50	.50	.75

Retired employees pay no further premiums. The State contributes premiums equal to 63% of employee contributions for basic insurance and 35% of employee contributions for supplemental insurance. These contributions are allocated to cover the cost of continuing the basic plan after retirement and to cover the State's portion of the cost of the basic and supplemental plans for active employees.

B. State of Wisconsin - Spouse and Dependent Insurance

The spouse and dependent insurance plan for State employees was introduced in 1981. Insured State employees may purchase life insurance benefits for spouses and dependents. A dependent child is eligible until age 19 or until age 25 as long as the dependent is a full-time student. A physically or mentally disabled dependent may qualify to continue the coverage past age 25. Premiums for this insurance are paid entirely by employees.

An insured employee may elect either one or two units of coverage. Each unit provides \$10,000 of life insurance for an insured spouse and \$5,000 for each insured dependent child. During 2008, the monthly premium was \$2.00 for each unit of coverage.

C. Local Government Employers - Employee Insurance

All three insurance plans are available to employees of local government employers. A local government employer may elect to offer only the basic plan or may offer the basic plan with either or both the supplemental plan and the additional plan. The employer may select a benefit reduction schedule for the basic plan identical to the State plan or a plan with an age 67 benefit reduction to 25% of insurance in force prior to age 65.

GROUP LIFE INSURANCE PLANS

Employees pay premiums to cover the entire cost of basic, supplemental and additional insurance during active employment. Employee premium rates in effect during 2008 were as follows:

Monthly Premium per \$1,000 of Insurance for Basic, Supplemental and Additional

Attained <u>Age</u>	<u>01-01-2008 through 06-30-2008</u>	<u>07-01-2008 through 12-31-2008</u>
Under 30	.05	.05
30-34	.06	.06
35-39	.07	.07
40-44	.09	.09
45-49	.15	.15
50-54	.29	.27
55-59	.47	.44
60-64	.53	.53
65-69	.60	.60

The employer's contribution for the basic plan with a 50% ultimate benefit at ages 66 and later is 40% of employee contributions. For the plan with a benefit reduction to 25% at age 67 and later, the contribution is 20% of employee contributions.

D. Local Government Employers - Spouse and Dependent Insurance

The spouse and dependent insurance plan for local government employees was introduced in 1983. The benefits are the same as those under the plan for State employees.

During 2008, the monthly premium was \$1.75 for each unit of coverage.

GROUP LIFE INSURANCE PLANS

E. Funding Status

Each year the values of the plans' assets are compared to the present values of future retiree post-retirement benefits in excess of future premium contributions designated for post-retirement insurance. The following table summarizes this comparison as of December 31, 2008:

	State Plan	Local Government Employers Plan
1. Assets		
a. Premium Deposit Fund	\$ 332,961,288	\$ 140,921,026
b. Contingent Liability Reserve	6,269,070	75,189,487
c. Total	\$ 339,230,358	\$ 216,110,513
2. Liabilities		
a. Post-Age 65 Retirees	\$ 176,504,245	\$ 99,125,628
b. Pre-Age 65 Retirees	40,611,169	29,146,126
c. Active Employees	197,812,955	126,971,199
d. Total	\$ 414,928,369	\$ 255,242,953
3. Unfunded Accrued Liability (2d - 1c)	\$ 75,698,011	\$ 39,132,440
4. Total Assets as a Percent of Total Liabilities (1c / 2d)	81.8%	84.7%

F. Underwriters

The group life insurance plan is underwritten by Minnesota Life Insurance Company. With the consent of the Group Insurance Board, the EPIC Life Insurance Company reinsured a portion of the plan during 2007.

G. Financial Basis

The financial agreement between the Group Insurance Board and Minnesota Life establishes the basis for plan finances. All calculations in this policy year report are made in accordance with the financial agreement and amendments approved by the Group Insurance Board.

STATE OF WISCONSIN

II. State of Wisconsin Plan - Active Employees*

Report on operations for 2008, the fifty-first year of the plan.

A. Employee Coverage

	<u>12-31-2007</u>	<u>12-31-2008</u>
1. Employees Insured for Pre-Retirement Insurance		
Basic Plan	51,514	52,257
Supplemental Plan	37,357	37,811
Additional Plan	24,203	24,784
2. Pre-Retirement Life and AD&D Insurance		
Basic Plan	\$ 2,603,448,000	\$ 2,743,913,000
Supplemental Plan	1,926,604,000	2,025,317,000
Additional Plan	2,553,628,000	2,758,288,000

B. Spouse and Dependent Coverage

1. Employees Insured	24,762	24,796
2. Estimated Spouse and Dependent Life Insurance	\$ 592,020,000	\$ 594,715,000

*The active employee plan financial report includes:

- All active employees at ages under 70.
- All active employees at age 70 and over who continue to participate in the additional life insurance benefit.
- Spouses and dependents of active employees.
- All premium contributions by the State toward the cost of pre-retirement life insurance for active employees.

STATE OF WISCONSIN

C. Premium Summary

Employee Contributions

Basic Plan	\$ 5,017,293	
Supplemental Plan	3,746,659	
Additional Plan	6,129,940	
Spouse and Dependent Plan	<u>1,038,545</u>	
		\$ 15,932,437

State Contributions

Basic Plan	\$ 1,756,218	
Supplemental Plan	<u>1,311,931</u>	
		\$ <u>3,068,149</u>

Total Premium \$ 19,000,586

D. Employee Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
Life	\$ 3,508,343	\$ 2,445,960	\$ 2,541,133	\$ 8,495,436
AD&D	313,384	250,031	384,092	947,507
Living Benefit	81,000	118,000	126,000	325,000
Disability	<u>634,598</u>	<u>433,228</u>	<u>766,029</u>	<u>1,833,855</u>
Total	\$ 4,537,325	\$ 3,247,219	\$ 3,817,254	\$ 11,601,798

E. Spouse and Dependent Claims

	<u>Spouse</u>	<u>Dependent</u>	
Life	\$ 1,044,282	\$ 137,839	\$ 1,182,121
Living Benefit	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total	\$ 1,064,282	\$ 137,839	\$ 1,202,121

STATE OF WISCONSIN

F. Financial Experience - Active Employee Insurance

1. Premium

Employee Contributions	\$ 14,893,892	
Employer Contributions	<u>3,068,149</u>	
 Total Premium		 \$ 17,962,041

2. Claim Charges

Death Claims	\$ 8,495,436	
AD&D Claims	947,507	
Living Benefit Claims	325,000	
Increase in Disability Claim Reserve	1,833,855	
Pooled Claims	0	
Pool Charge	353,674	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 11,955,472

3. Expense Charges

Minnesota Life Expenses	\$ 628,596	
Reinsurance Expense	2,845	
Risk Charge	<u>48,961</u>	
 Total Expense Charges		 \$ 680,402

4. Tax Charges

State Premium Tax	\$ 359,241	
Federal Income Tax	<u>50,240</u>	
 Total Tax Charges		 \$ 409,481

5. Interest Credits/Charges

On Premium	\$ 378,443	
On Disability Claim Reserve	1,184,569	
On Claims Paid	(122,581)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(31,400)</u>	
 Total Interest Credits/Charges		 \$ 1,409,031

6. State Internal Administration Expense

\$ 126,424

7. Actuarial Service Charge

\$ 0

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]

\$ 6,199,293

STATE OF WISCONSIN

G. Reserve Summary

1. Premium Deposit Fund

Balance on 12-31-2007	\$	8,057,225
Interest Credit		457,035
Withdrawals on 12-31-2008		<u>0</u>
Balance on 12-31-2008	\$	8,514,260

2. Stabilization Reserve

Balance on 12-31-2007	\$	0
Interest Credit		0
Contribution on 12-31-2008		6,199,293
Withdrawals on 12-31-2008		<u>0</u>
Balance on 12-31-2008	\$	6,199,293

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2008 5.67%

H. Stop-Loss Calculation for Active Employee Insurance

Stop-Loss Limit	\$	23,413,703
Claim Charges	\$	11,873,297
Expense Charges		<u>1,039,643</u>
Total Charges	\$	12,912,940
Catastrophic Loss Credit	\$	0

STATE OF WISCONSIN

I. Financial Experience - Spouse and Dependent Insurance

1. Premium		\$ 1,038,545
2. Claim Charges		
Death Claims	\$ 1,182,121	
Living Benefit Claims	20,000	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 1,202,121
3. Expense Charges		
Minnesota Life Expenses	\$ 23,887	
Risk Charge	<u>2,077</u>	
Total Expense Charges		\$ 25,964
4. Tax Charges		
State Premium Tax	\$ 20,771	
Federal Income Tax	<u>(473)</u>	
Total Tax Charges		\$ 20,298
5. Interest Credits/Charges		
On Premium	\$ 22,004	
On Claims Paid	(18,031)	
On Expense Charges & Conversion Charge	<u>(1,421)</u>	
Total Interest Credits/Charges		\$ 2,552
6. State Internal Administration Expense		\$ 24,797
7. Actuarial Service Charge		\$ 0
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		\$ (232,083)
9. Stabilization Reserve		
Stabilization Reserve on 12-31-2007		\$ 608,594
Addition to Reserve on 12-31-2008		(232,083)
Interest on Stabilization Reserve in 2008		<u>37,004</u>
Stabilization Reserve on 12-31-2008		\$ 413,515

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit		\$ 1,350,109
Claim Charges		1,199,937
Expense Charges		<u>46,735</u>
Total Charges		\$ 1,246,672
Catastrophic Loss Credit		\$ 0

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STATE OF WISCONSIN

III. State of Wisconsin Plan - Retirees*

Report on operations for 2008, the fifty-first year of the plan.

A. Retiree Coverage

	<u>12-31-2007</u>	<u>12-31-2008</u>
1. Retirees Insured for Pre-Age 65 Insurance		
Basic Plan	6,393	6,411
Supplemental Plan	4,456	4,435
Additional Plan	1,648	1,660
2. Pre-Age 65 Life and AD&D Insurance		
Basic Plan	\$ 349,637,000	\$ 358,045,000
Supplemental Plan	237,243,000	242,508,000
Additional Plan	132,784,000	139,546,000
3. Retirees Insured for Post-Age 65 Insurance	14,729	15,431
4. Post-Age 65 Life Insurance	\$ 320,232,500	\$ 348,802,000

*The retiree plan financial report includes:

- All retirees at age 65 and over, and all active employees at age 70 and over, who receive a post-retirement life insurance benefit with no further premium payments.
- All retirees under age 65 who receive post-retirement life insurance benefits based on continued premium payments.
- All funding contributions by the State toward future post-retirement life insurance for currently active employees.

STATE OF WISCONSIN

B. Premium Summary

Pre-Age 65 Retiree Contributions

Basic Plan	\$ 1,582,336	
Supplemental Plan	1,114,735	
Additional Plan	<u>455,150</u>	\$ 3,152,221

State Contributions to Premium Deposit Fund \$ 1,404,974

Total Premium \$ 4,557,195

C. Retiree Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
1. Pre-Age 65 Life and AD&D Insurance				
Life	\$ 1,788,357	\$ 1,295,885	\$ 858,749	\$ 3,942,991
AD&D	0	0	0	0
Living Benefit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,788,357	\$ 1,295,885	\$ 858,749	\$ 3,942,991
2. Post-Age 65 Life Insurance				
Life	\$ 8,687,927			\$ 8,687,927
Living Benefit	<u>19,500</u>			<u>19,500</u>
Total	\$ 8,707,427			\$ 8,707,427

STATE OF WISCONSIN

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

Pre-Age 65 Contributions	\$ 3,152,221	
Withdrawal from Premium Deposit Fund on 12-31-2008	<u>1,083,996</u>	
 Total Premium		 \$ 4,236,217

2. Claim Charges

Death Claims	\$ 3,942,991	
AD&D Claims	0	
Living Benefit Claims	0	
Pooled Claims	0	
Pool Charge	19,212	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 3,962,203

3. Expense Charges

Minnesota Life Expenses	\$ 159,558	
Reinsurance Expense	722	
Risk Charge	<u>6,948</u>	
 Total Expense Charges		 \$ 167,228

4. Tax Charges

State Premium Tax	\$ 84,724	
Federal Income Tax	<u>10,711</u>	
 Total Tax Charges		 \$ 95,435

5. Interest Credits/Charges

On Premium	\$ 83,013	
On Claims Paid	(60,876)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(6,183)</u>	
 Total Interest Credits/Charges		 \$ 15,954

6. Actuarial Service Charge

\$ 27,305

7. Experience Credit [(1)-(2)-(3)-(4)+(5)-(6)]

\$ 0

The Experience Credit is deposited in the Contingent Liability Reserve.

STATE OF WISCONSIN

E. Financial Experience - Post-Age 65 Retiree Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2007	\$	315,234,388
Contribution for 12-31-2008		1,404,974
Withdrawals on 12-31-2008		(1,083,996)
Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums		(479,381)
Interest on Premium Deposit Fund in 2008		<u>17,885,303</u>
Premium Deposit Fund on 12-31-2008	\$	332,961,288

2. Contingent Liability Reserve

Contingent Liability Reserve on 12-31-2007	\$	14,533,673
Contributions on 12-31-2008		0
Post-Age 65 Death Claims		(8,707,427)
Minnesota Life Expenses		(139,395)
State Premium Tax		(180,746)
Risk Charge		(9,714)
Interest on Contingent Liability Reserve in 2008		<u>772,679</u>
Contingent Liability Reserve on 12-31-2008	\$	6,269,070

Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2008	5.72%
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STATE OF WISCONSIN

F. Summary of Assets and Liabilities for Post-Retirement Benefits on December 31

	<u>2007</u>	<u>2008</u>
1. Assets		
a. Premium Deposit Fund	\$ 315,234,388	\$ 332,961,288
b. Contingent Liability Reserve	<u>14,533,673</u>	<u>6,269,070</u>
c. Total	\$ 329,768,061	\$ 339,230,358
2. Liabilities		
a. Post-Age 65 Retirees	\$ 162,763,575	\$ 176,504,245
b. Pre-Age 65 Retirees	39,505,400	40,611,169
c. Active Employees	<u>186,713,696</u>	<u>197,812,955</u>
d. Total	\$ 388,982,671	\$ 414,928,369
3. Unfunded Accrued Liability [2(d) - 1(c)]		
	\$ 59,214,610	\$ 75,698,011
4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)]		
	84.8%	81.8%

Definitions of liability values:

- Post-Age 65 Retirees - present value of future claims
- Pre-Age 65 Retirees - present value of future claims minus present value of future premiums
- Active Employees - present value of future post-retirement claims minus present value of future State contributions toward post-retirement life insurance

Funding Assumptions appear on page 57 of this report.

G. Stop-Loss Calculation for Retiree Insurance

Stop-Loss Limit	\$ 15,687,799	
Claim Charges	\$ 12,477,439	
Expense Charges	<u>581,806</u>	
Total Charges	\$ 13,059,245	
Catastrophic Loss Credit	\$ 0	

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STATE OF WISCONSIN

IV. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2008

Employee Contributions		\$ 14,893,892
State Contributions		
Basic Plan	\$ 1,756,218	
Supplemental Plan	<u>1,311,931</u>	
		<u>3,068,149</u>
Total Premium		\$ 17,962,041
Reserve Brought Forward on January 1, 2008		\$ 8,057,225
Death Claims	\$ 8,495,436	
AD&D Claims	947,507	
Living Benefit Claims	325,000	
Increase in Disability Claim Reserve	1,833,855	
Pooled Claims	0	
Pool Charge	353,674	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 11,955,472
Premium Deposit Fund on 12-31-2008	\$ 8,514,260	
Stabilization Reserve on 12-31-2008	<u>6,199,293</u>	
Total		\$ 14,713,553
Payments to State		
State Premium Tax	\$ 359,241	
State Internal Administration Expense	126,424	
Actuarial Service Charge	0	
Audit/Consultant Service Charge	0	
Legal Expense	<u>0</u>	
Total		\$ 485,665
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008		\$ 1,135,424
Minnesota Life Expenses	\$ 628,596	
Reinsurance Expense	2,845	
Risk Charge	48,961	
Federal Income Tax Charge	<u>50,240</u>	
Total	\$ 730,641	
Interest Credited to Plan	<u>1,866,066</u>	
Interest Credited to Plan Less Cost		\$ 1,135,424

STATE OF WISCONSIN

B. Historical Statistics - Active Employee Insurance - 2008 and Later

<u>Year</u>	<u>Insurance in Force At End of Year</u>	<u>Premium</u>			
		<u>Employee Contributions</u>	<u>State Contributions</u>		<u>Total</u>
			<u>Basic Plan</u>	<u>Supplemental Premium</u>	
2008	7,527,518,000	\$14,893,892	\$1,756,218	\$1,311,931	\$17,962,041

Claims

<u>Year</u>	<u>Death Losses</u>			<u>Living Benefits</u>	<u>Disability Losses</u>	<u>Total Claims</u>
	<u>Life</u>	<u>AD&D</u>	<u>Total</u>			
2008	\$8,495,436	\$947,507	\$9,442,943	\$325,000	\$1,833,855	\$11,601,798

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2008	\$11,601,798	\$0	\$0	\$353,674	\$11,955,472

STATE OF WISCONSIN

B. Historical Statistics - Active Employee Insurance - 2008 and Later (cont'd)

<u>Year</u>	<u>Overhead Cost</u>						<u>State Internal Administration Expense</u>	<u>Interest Credits/Charges</u>
	<u>Insurance Company Expense</u>	<u>Reinsurance Expense</u>	<u>Risk Charge</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>		
2008	\$628,596	\$2,845	\$48,961	\$359,241	\$50,240	\$1,089,883	\$126,424	\$224,462

<u>Year</u>	<u>Reserves</u>			
	<u>Disability Reserve</u>	<u>Stabilization Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2008	\$22,791,938	\$6,199,293	\$8,514,260	\$37,505,491

<u>Year</u>	<u>Interest Credits on Reserves</u>			
	<u>Disability Reserve</u>	<u>Stabilization Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2008	\$1,184,569	\$0	\$457,035	\$1,641,604

STATE OF WISCONSIN

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1981 through 2008

Employee Contribution		\$ 23,030,303
Death Claims	\$ 22,076,094	
Living Benefit Claims	50,000	
Conversion Charge	198,615	
Catastrophic Loss Credit	<u>(313,347)</u>	
Total Claim Charges		\$ 22,011,362
Stabilization Reserve on 12-31-2008		\$ 413,515
Payments to State		
State Premium Tax	\$ 460,608	
State Internal Administration Expense	911,849	
Audit/Consultant Service Charge	<u>15,094</u>	
Total		\$ 1,387,551
Payment from Stabilization Reserve for Premiums		\$ 35,399
Excess of Disbursement and Reserves over Premium		\$ 817,524
Minnesota Life Expenses	\$ 410,860	
Risk Charge	39,091	
Federal Income Tax Charge	<u>58,882</u>	
Total	\$ 508,833	
Interest Credited to Plan	<u>1,326,357</u>	
Interest Credited to Plan Less Cost		\$ 817,524

STATE OF WISCONSIN

D. Historical Statistics - Spouse and Dependent Insurance

<u>Year</u>	<u>Employee Contributions</u>	<u>Death Losses</u>	<u>Living Benefits</u>	<u>Conversion Costs</u>	<u>Total Claim Charges</u>
2008	\$1,038,545	\$1,182,121	\$20,000	\$0	\$1,202,121
2007	1,026,775	1,094,710	0	0	1,094,710
2006	1,019,099	1,003,482	0	0	1,003,482
2005	1,032,840	1,075,980	0	0	1,075,980
2004	1,073,227	1,191,246	0	0	1,191,246
2003	1,303,679	1,363,388	0	0	1,363,388
2002	1,273,884	922,027	0	0	922,027
2001	1,186,792	1,017,237	0	0	1,017,237
2000	961,460	959,803	0	11,220	971,023
1999	947,828	1,212,835	0	12,660	1,225,495
1981- 1998	<u>12,166,174</u>	<u>11,053,265</u>	<u>30,000</u>	<u>174,735</u>	<u>11,258,000</u>
Total	\$23,030,303	\$22,076,094	\$50,000	\$198,615	\$22,324,709

<u>Year</u>	<u>Overhead Cost</u>						<u>State Internal Administration Expense</u>	<u>Audit/ Consultant Charge</u>
	<u>Insurance Company Expense</u>	<u>Risk Charge</u>	<u>Catastrophic Loss Credit</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>		
2008	\$23,887	\$2,077	\$0	\$20,771	(\$473)	\$46,262	\$24,797	\$0
2007	23,616	2,054	0	20,535	(486)	45,719	50,720	0
2006	23,439	2,038	0	20,382	(451)	45,408	45,654	1,891
2005	23,755	2,066	0	20,657	(177)	46,301	43,261	0
2004	23,699	2,146	0	21,465	432	47,742	39,520	0
2003	23,988	2,607	0	26,074	3,315	55,984	58,793	4,052
2002	23,439	2,548	0	25,478	3,462	54,927	27,200	0
2001	22,580	2,374	0	23,736	2,941	51,631	22,050	0
2000	22,114	1,923	(109,139)	19,229	1,072	(64,801)	0	3,273
1999	20,146	1,896	(73,018)	18,957	1,863	(30,156)	0	0
1981- 1998	<u>180,197</u>	<u>17,362</u>	<u>(131,190)</u>	<u>243,324</u>	<u>47,384</u>	<u>357,077</u>	<u>599,854</u>	<u>5,878</u>
Total	\$410,860	\$39,091	(\$313,347)	\$460,608	\$58,882	\$656,094	\$911,849	\$15,094

<u>Year</u>	<u>Insurance In Force At End of Year</u>	<u>Stabilization Reserve</u>	<u>Interest Credits</u>	
			<u>On Stabilization Reserve</u>	<u>Current Premium Less Charges</u>
2008	\$594,715,000	\$413,515	\$37,004	\$2,552
2007	592,020,000	608,594	45,352	4,356
2006	584,735,000	723,260	45,668	4,996
2005	582,575,000	749,932	51,404	6,243
2004	592,275,000	824,987	56,455	1,721
2003	590,340,000	972,092	65,191	4,070
2002	585,955,000	1,081,369	51,361	11,326
2001	572,335,000	748,952	45,334	5,361
2000	555,905,000	602,383	38,945	4,096
1999	547,785,000	507,377	50,286	950
1981- 1998	<u>535,540,000</u>	<u>703,652</u>	<u>715,835</u>	<u>77,851</u>
Total			\$1,202,835	\$123,522

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STATE OF WISCONSIN

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2008

Retiree Contributions		\$ 3,152,221
State Contributions		
Basic Plan	\$ <u>1,404,974</u>	<u>1,404,974</u>
Total Premium		\$ 4,557,195
Reserve Brought Forward on January 1, 2008		\$ 329,768,061
Death Claims	\$ 12,630,918	
AD&D Claims	0	
Living Benefit Claims	19,500	
Pooled Claims	0	
Pool Charge	19,212	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 12,669,630
Contingent Liability Reserve on 12-31-2008	\$ 6,269,070	
Premium Deposit Fund on 12-31-2008	<u>332,961,288</u>	
Total		\$ 339,230,358
Payments to State		
State Premium Tax	\$ 265,470	
Actuarial Service Charge	<u>27,305</u>	
Total		\$ 292,775
Withdrawals of Postretirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums		\$ 479,381
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008		\$ 18,346,888
Minnesota Life Expenses	\$ 298,953	
Reinsurance Expense	722	
Risk Charge	16,662	
Federal Income Tax Charge	<u>10,711</u>	
Total	\$ 327,048	
Interest Credited to Plan	<u>18,673,936</u>	
Interest Credited to Plan Less Cost		\$ 18,346,888

STATE OF WISCONSIN

F. Historical Statistics - Retiree Insurance - 2008 and Later

<u>Year</u>	<u>Insurance In Force at End of Year</u>		<u>Premium</u>		
	<u>Pre-Age 65</u>	<u>Post-Age 65</u>	<u>Pre-Age 65 Retiree Contributions</u>	<u>State Contributions for Active Employees</u>	<u>Total Premium</u>
2008	740,099,000	348,802,000	\$3,152,221	\$1,404,974	\$4,557,195

<u>Claims</u>							
<u>Death Losses</u>							
<u>Year</u>	<u>Pre-Age 65 Life</u>	<u>Pre-Age 65 AD&D</u>	<u>Post -Age 65 Life</u>	<u>Total</u>	<u>Pre-Age 65 Living Benefits</u>	<u>Post-Age 65 Living Benefits</u>	<u>Total Claims</u>
2008	\$3,942,991	\$0	\$8,687,927	\$12,630,918	\$0	19,500	\$12,650,418

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2008	\$12,650,418	\$0	\$0	\$19,212	\$12,669,630

STATE OF WISCONSIN

F. Historical Statistics - Retiree Insurance - 2008 and Later (cont'd)

Overhead Cost								
<u>Year</u>	<u>Insurance Company Expense</u>	<u>Reinsurance Expense</u>	<u>Risk Charge</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>	<u>Actuarial Service Charge</u>	<u>Interest Credits/Charges</u>
2008	\$298,953	\$722	\$16,662	\$265,470	\$10,711	\$592,518	\$27,305	\$15,954
Reserves								
<u>Year</u>	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>					
2008	\$6,269,070	\$332,961,288	\$339,230,358					
Interest Credits on Reserves								
<u>Year</u>	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>	<u>Withdrawals to Pay Health and LTC Premiums</u>				
2008	\$772,679	\$17,885,303	\$18,657,982	\$479,381				

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STATE OF WISCONSIN

G. Cumulative Financial Experience on Employee Insurance (Active Employees and Retirees) - 1958 through 2007

Employee Contributions		\$ 304,103,381
State Contributions		
Basic Plan	\$ 82,390,479	
Supplemental Plan	<u>36,340,802</u>	
		<u>118,731,281</u>
Total Premium		\$ 422,834,662
Death Claims	\$ 398,102,916	
AD&D Claims	20,768,912	
Living Benefit Claims	4,066,000	
Increase in Disability Claim Reserve	20,958,083	
Pooled Claims	(119,478)	
Pool Charge	1,065,368	
Conversion Charge	362,072	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 445,203,873
Contingent Liability Reserve on 12-31-2007	\$ 14,533,673	
Premium Deposit Fund on 12-31-2007	<u>323,291,613</u>	
Total		\$ 337,825,286
Payments to State		
State Premium Tax	\$ 9,230,199	
State Internal Administration Expense	3,885,022	
Actuarial Service Charge	38,388	
Audit/Consultant Service Charge	51,734	
Legal Expense	<u>39,790</u>	
Total		\$ 13,245,133
Payment from Contingent Liability Reserve for Premiums		\$ 3,530,569
Withdrawals of Postretirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums		\$ 4,522,251
Excess of Disbursement and Reserves Over Premium		\$ 381,492,450
Minnesota Life Expenses	\$ 10,830,892	
Reinsurance Expense	180,635	
Risk Charge	1,584,835	
Federal Income Tax Charge	<u>971,199</u>	
Total	\$ 13,567,561	
Interest Credited to Plan	<u>395,060,011</u>	
Interest Credited to Plan Less Cost		\$ 381,492,450

STATE OF WISCONSIN

H. Historical Statistics - Active Employee and Retiree Insurance - through 2007

Year	Insurance In Force at End of Year		Year	Employee Contributions	State Contributions		Total Premium
	Pre-Retirement	Post-Retirement			Basic Plan	Supplemental Plan	
2007	7,803,344,000	320,232,500	2007	\$16,156,764	\$2,955,765	\$1,232,334	\$20,344,863
2006	7,329,155,000	295,682,250	2006	14,974,540	2,779,424	1,163,077	18,917,041
2005	6,999,101,000	277,559,750	2005	14,094,642	2,675,764	1,126,915	17,897,321
2004	6,760,990,000	261,620,000	2004	13,436,167	2,609,471	1,103,938	17,149,576
2003	6,377,422,000	248,541,250	2003	13,564,722	2,682,055	1,139,067	17,385,844
2002	6,100,363,000	234,159,250	2002	13,377,914	2,672,759	1,141,597	17,192,270
2001	5,601,752,000	219,827,750	2001	12,057,622	2,448,473	1,054,664	15,560,759
2000	4,965,080,000	207,848,750	2000	10,944,386	2,273,603	985,914	14,203,903
1999	4,593,228,000	195,619,000	1999	10,249,171	2,217,950	941,962	13,409,083
1998	4,252,269,000	184,580,000	1998	10,102,741	2,235,849	970,180	13,308,770
1997	3,681,951,000	176,424,750	1958-1997	<u>175,144,712</u>	<u>56,839,366</u>	<u>25,481,154</u>	<u>257,465,232</u>
			Total	\$304,103,381	\$82,390,479	\$36,340,802	\$422,834,662

Claims

Year	Death Losses			Total	Living Benefits	Disability Losses	Total Claims
	Pre-Retirement Life	Pre-Retirement AD&D	Post-Retirement Life				
2007	\$15,424,394	\$578,367	\$8,774,275	\$24,777,036	\$512,000	\$1,047,671	\$26,336,707
2006	14,953,112	1,119,759	8,480,232	24,553,103	576,000	2,314,751	27,443,854
2005	13,479,300	1,788,385	7,520,973	22,788,658	340,500	2,283,776	25,412,934
2004	13,872,722	940,858	7,554,908	22,368,488	601,500	(602,109)	22,367,879
2003	14,695,689	780,605	6,867,758	22,344,052	488,500	1,435,671	24,268,223
2002	11,458,035	1,041,829	6,811,293	19,311,157	242,500	690,982	20,244,639
2001	10,842,443	469,215	6,156,890	17,468,548	361,500	1,312,119	19,142,167
2000	9,303,701	738,921	6,183,157	16,225,779	166,000	714,191	17,105,970
1999	11,419,416	1,166,970	5,990,105	18,576,491	77,250	672,318	19,326,059
1998	10,449,799	1,216,350	5,146,711	16,812,860	141,000	1,497,976	18,451,836
1958- 1997	<u>152,380,988</u>	<u>10,927,653</u>	<u>50,337,015</u>	<u>213,645,656</u>	<u>559,250</u>	<u>9,590,737</u>	<u>223,795,643</u>
Total	\$278,279,599	\$20,768,912	\$119,823,317	\$418,871,828	\$4,066,000	\$20,958,083	\$443,895,911

Year	Total Claims	Conversion Charge	Pooled Claims	Pool Charge	Total Claim Charges
2007	\$26,336,707	\$0	\$0	\$298,751	\$26,635,458
2006	27,443,854	0	0	243,030	27,686,884
2005	25,412,934	0	0	213,495	25,626,429
2004	22,367,879	0	(40,116)	172,047	22,499,810
2003	24,268,223	0	(79,362)	138,045	24,326,906
2002	20,244,639	0	0	0	20,244,639
2001	19,142,167	1,800	0	0	19,143,967
2000	17,105,970	5,400	0	0	17,111,370
1999	19,326,059	14,820	0	0	19,340,879
1998	18,451,836	21,000	0	0	18,472,836
1958- 1997	<u>223,795,643</u>	<u>319,052</u>	<u>0</u>	<u>0</u>	<u>224,114,695</u>
Total	\$443,895,911	\$362,072	(\$119,478)	\$1,065,368	\$445,203,873

STATE OF WISCONSIN

H. Historical Statistics - Active Employee and Retiree Insurance - through 2007 (cont'd)

Year	Overhead Cost						State Internal Administration Expense	Actuarial Service Charge	Audit/ Consultant Charge	Legal Expense	Interest Credits/ Charges
	Insurance Company Expense	Reinsurance Expense	Risk Charge	State Premium Tax	Federal Income Tax	Total					
2007	\$868,193	\$3,255	\$48,189	\$543,582	\$46,634	\$1,509,853	\$249,586	\$23,937	\$0	\$0	\$90,476
2006	810,168	3,027	34,416	566,203	39,071	1,452,885	223,343	0	8,698	0	86,556
2005	761,403	2,864	17,262	523,708	34,781	1,340,018	208,373	0	0	0	99,255
2004	723,308	2,703	0	459,084	33,016	1,218,111	181,758	905	0	39,790	47,974
2003	681,447	3,043	6,533	495,966	42,214	1,229,203	253,423	1,700	18,633	0	83,487
2002	640,332	4,893	60,795	411,517	46,884	1,164,421	150,150	1,745	0	0	46,486
2001	576,218	5,323	56,204	387,097	34,496	1,059,338	107,850	1,650	0	0	67,341
2000	532,568	13,125	52,944	344,786	28,148	971,571	38,008	1,402	8,727	0	53,830
1999	472,366	14,071	26,028	389,658	33,123	935,246	0	1,391	0	0	49,296
1998	414,812	13,309	56,964	375,376	46,762	907,223	137,490	1,153	0	0	94,563
1958- 1997	<u>4,350,077</u>	<u>115,022</u>	<u>1,225,500</u>	<u>4,733,222</u>	<u>586,070</u>	<u>11,009,891</u>	<u>2,335,041</u>	<u>4,505</u>	<u>15,676</u>	<u>0</u>	<u>1,836,172</u>
Total	\$10,830,892	\$180,635	\$1,584,835	\$9,230,199	\$971,199	\$22,797,760	\$3,885,022	\$38,388	\$51,734	\$39,790	\$2,555,436

Year	Reserves			Total
	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	
2007	\$20,958,083	\$14,533,673	\$323,291,613	\$358,783,369
2006	19,910,412	22,320,164	303,582,094	345,812,670
2005	17,595,661	29,423,280	288,655,047	335,673,988
2004	15,311,885	35,338,788	273,479,546	324,130,219
2003	15,913,994	40,413,306	256,750,262	313,077,562
2002	14,478,323	44,476,613	241,655,917	300,610,853
2001	13,787,341	48,211,931	223,143,852	285,143,124
2000	12,475,222	50,992,413	206,330,935	269,798,570
1999	11,761,031	53,505,251	189,675,567	254,941,849
1998	11,088,713	55,999,169	177,584,817	244,672,699
1997	9,590,737	57,505,153	166,585,300	233,681,190

Year	Interest Credits on Reserves				Withdrawals to Pay Health and LTC Premiums
	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	Total	
2007	\$1,149,269	\$1,305,400	\$17,715,113	\$20,169,782	\$263,259
2006	975,149	1,681,973	16,073,075	18,730,197	538,053
2005	890,137	1,904,463	15,960,456	18,755,056	316,819
2004	937,441	2,796,523	15,200,843	19,934,807	537,217
2003	948,032	3,105,807	15,745,232	19,799,071	407,499
2002	938,590	3,352,789	15,343,979	19,635,358	536,412
2001	890,592	3,621,720	14,805,993	19,318,305	601,165
2000	837,693	3,782,331	13,637,481	18,257,505	241,630
1999	745,309	3,732,430	12,112,018	16,589,757	173,788
1998	653,225	3,848,131	11,326,953	15,828,309	219,407
1958- 1997	<u>10,979,387</u>	<u>81,367,379</u>	<u>114,139,662</u>	<u>206,486,428</u>	<u>687,002</u>
Total	\$19,944,824	\$110,498,946	\$262,060,805	\$373,569,768	\$4,522,251

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WISCONSIN LOCAL GOVERNMENTS

V. Wisconsin Local Government Plan - Active Employees*

Report on operations for 2008, the forty-ninth year of the plan.

A. Employee Coverage

	<u>12-31-2007</u>	<u>12-31-2008</u>
1. Employees Insured for Pre-Retirement Insurance (1)		
Basic Plan	77,620	77,985
Supplemental Plan	22,609	23,230
Additional Plan	31,959	32,328
2. Pre-Retirement Life and AD&D Insurance (1)		
Basic Plan	\$ 3,386,502,000	\$ 3,515,220,000
Supplemental Plan	1,026,857,000	1,091,555,000
Additional Plan	3,018,031,000	3,205,026,000

B. Spouse and Dependent Coverage

1. Employees Insured	36,861	36,905
2. Estimated Spouse and Dependent Life Insurance	\$ 893,160,000	\$ 895,485,000

*The active employee plan financial report includes:

- All active employees at ages under 70.
- All active employees at age 70 and over who continue to participate in the additional life insurance benefit.
- Spouses and dependents of active employees.

WISCONSIN LOCAL GOVERNMENTS

C. Premium Summary

Employee Contributions

Basic Plan	\$ 7,659,352	
Supplemental Plan	2,000,087	
Additional Plan	5,885,126	
Spouse and Dependent Plan	<u>1,337,106</u>	
		\$ 16,881,671

Employer Contributions to Premium

Basic Plan	\$ 1,061,515	
Supplemental Plan	<u>70,917</u>	

		<u>1,132,432</u>
Total Premium		\$ 18,014,103

D. Employee Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
Life	\$ 5,020,318	\$ 1,871,778	\$ 4,430,070	\$ 11,322,166
AD&D	522,762	111,799	478,268	1,112,829
Living Benefit	96,000	33,000	139,000	268,000
Disability	<u>11,230</u>	<u>96,294</u>	<u>470,832</u>	<u>578,356</u>
Total	\$ 5,650,310	\$ 2,112,871	\$ 5,518,170	\$ 13,281,351

E. Spouse and Dependent Claims

	<u>Spouse</u>	<u>Dependent</u>	
Life	\$ 1,436,319	\$ 181,044	\$ 1,617,363
Living Benefit	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,436,319	\$ 181,044	\$ 1,617,363

WISCONSIN LOCAL GOVERNMENTS

F. Financial Experience - Active Employee Insurance

1. Premium

Employee Contributions	\$ 15,544,565	
Employer Contributions	1,132,432	
Total Premium		\$ 16,676,997

2. Claim Charges

Death Claims	\$ 11,322,166	
AD&D Claims	1,112,829	
Living Benefit Claims	268,000	
Pooled Claims	0	
Pool Charge	23,944	
Increase in Disability Claim Reserve	578,356	
Conversion Charge	2,100	
Catastrophic Loss Credit	0	
Total Claim Charges		\$ 13,307,395

3. Expense Charges

Minnesota Life Expenses	\$ 1,171,458	
Reinsurance Expense	2,687	
Risk Charge	24,371	
Total Expense Charges		\$ 1,198,516

4. Tax Charges

State Premium Tax	\$ 333,540	
Federal Income Tax	52,002	
Total Tax Charges		\$ 385,542

5. Interest Credits/Charges

On Premium	\$ 384,883	
On Disability Claim Reserve	982,931	
On Claims Paid	(220,031)	
On Expense Charges, Pool Charge & Conversion Charge	(34,731)	
Total Interest Credits/Charges		\$ 1,113,052

6. State Internal Administration Expense \$ 126,424

7. Actuarial Service Charge \$ 0

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 2,772,172

The Experience Credit is deposited in the Stabilization Reserve.

WISCONSIN LOCAL GOVERNMENTS

G. Reserve Summary

1. Premium Deposit Fund

Balance on 12-31-2007	\$	7,995,249
Interest Credit		452,411
Withdrawals on 12-31-2008		<u>0</u>
Balance on 12-31-2008	\$	8,447,660

2. Stabilization Reserve

Balance on 12-31-2007	\$	0
Interest Credit		0
Contribution on 12-31-2008		2,772,172
Withdrawals on 12-31-2008		<u>0</u>
Balance on 12-31-2008	\$	2,772,172

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2008		5.66%
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H. Stop-Loss Calculation for Active Employee Insurance

Stop-Loss Limit	\$	22,433,342
Claim Charges	\$	13,383,741
Expense Charges		<u>1,475,451</u>
Total Charges	\$	14,859,192
Catastrophic Loss Credit	\$	0

WISCONSIN LOCAL GOVERNMENTS

I. Financial Experience - Spouse and Dependent Insurance

1. Premium			\$ 1,337,106
2. Claim Charges			
Death Claims	\$	1,617,363	
Living Benefit Claims		0	
Conversion Charge		<u>9,690</u>	
Total Claim Charges			\$ 1,627,053
3. Expense Charges			
Minnesota Life Expenses	\$	71,000	
Risk Charge		<u>2,674</u>	
Total Expense Charges			\$ 73,674
4. Tax Charges			
State Premium Tax	\$	26,742	
Federal Income Tax		<u>(2,358)</u>	
Total Tax Charges			\$ 24,384
5. Interest Credits/Charges			
On Premium	\$	31,157	
On Claims Paid		(24,479)	
On Expense Charges & Conversion Charge		<u>(2,651)</u>	
Total Interest Credits/Charges			\$ 4,027
6. State Internal Administration Expense			\$ 24,797
7. Actuarial Service Charge			\$ 0
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]			\$ (408,775)
9. Stabilization Reserve			
Stabilization Reserve on 12-31-2007			\$ 2,850,288
Addition to Reserve on 12-31-2008			(408,775)
Interest on Stabilization Reserve in 2008			<u>163,295</u>
Stabilization Reserve on 12-31-2008			\$ 2,604,808

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit			\$ 1,938,804
Claim Charges			1,576,428
Expense Charges			<u>100,416</u>
Total Charges			\$ 1,676,844
Catastrophic Loss Credit			\$ 0

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WISCONSIN LOCAL GOVERNMENTS

VI. Wisconsin Local Government Plan - Retirees*

Report on operations for 2008, the forty-ninth year of the plan.

A. Retiree Coverage

	<u>12-31-2007</u>	<u>12-31-2008</u>
1. Retirees Insured for Pre-Age 65 Insurance		
Basic Plan	9,003	9,165
Supplemental Plan	1,103	1,214
Additional Plan	2,035	2,102
2. Pre-Age 65 Life and AD&D Insurance		
Basic Plan	\$ 463,325,000	\$ 483,743,000
Supplemental Plan	58,643,000	65,745,000
Additional Plan	153,062,000	164,857,000
3. Retirees for Post-Age 65 Insurance	19,926	20,912
4. Post-Age 65 Insurance	\$ 209,309,500	\$ 230,296,250

*The retiree plan financial report includes:

- All retirees at age 65 and over, and all active employees at age 70 and over, who receive a post-retirement life insurance benefit with no further premium payments.
- All retirees under age 65 who receive post-retirement life insurance benefits based on continued premium payments.
- All funding contributions by employers toward future post-retirement life insurance for currently active employees.

WISCONSIN LOCAL GOVERNMENTS

B. Premium Summary

Pre-Age 65 Retiree Contributions

Basic Plan	\$ 2,692,680	
Supplemental Plan	336,930	
Additional Plan	<u>862,028</u>	
		\$ 3,891,638

Employer Contributions to Premium Deposit Fund \$ 1,806,300

Total Premium \$ 5,697,938

C. Retiree Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
1. Pre-Age 65 Life and AD&D Insurance				
Life	\$ 2,966,018	\$ 319,026	\$ 1,322,174	\$ 4,607,218
AD&D	107,105	0	66,491	173,596
Living Benefit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 3,073,123	\$ 319,026	\$ 1,388,665	\$ 4,780,814
2. Post-Age 65 Life Insurance				
Life	\$ 4,439,163			\$ 4,439,163
Living Benefit	<u>27,750</u>			<u>27,750</u>
Total	\$ 4,466,913			\$ 4,466,913

WISCONSIN LOCAL GOVERNMENTS

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

Pre-Age 65 Contributions	\$ 3,891,638	
Withdrawal from Premium Deposit Fund on 12-31-2008	<u>1,437,480</u>	
 Total Premium		 \$ 5,329,118

2. Claim Charges

Death Claims	\$ 4,607,218	
AD&D Claims	173,596	
Living Benefit Claims	0	
Pooled Claims	0	
Pool Charge	3,637	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 4,784,451

3. Expense Charges

Minnesota Life Expenses	\$ 400,225	
Reinsurance Expense	918	
Risk Charge	<u>7,863</u>	
 Total Expense Charges		 \$ 409,006

4. Tax Charges

State Premium Tax	\$ 106,583	
Federal Income Tax	<u>18,476</u>	
 Total Tax Charges		 \$ 125,059

5. Interest Credits/Charges

On Premium	\$ 105,833	
On Claims Paid	(77,830)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(11,300)</u>	
 Total Interest Credits/Charges		 \$ 16,703

6. State Internal Administration Expense \$ 0

7. Actuarial Service Charge \$ 27,305

8. Experience Credit [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 0

WISCONSIN LOCAL GOVERNMENTS

E. Financial Experience - Post-Age 65 Retiree Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2007	\$	132,996,091
Contribution for 12-31-2008		1,806,300
Withdrawals on 12-31-2008		(1,437,480)
Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums		0
Interest on Premium Deposit Fund in 2008		<u>7,556,115</u>
Premium Deposit Fund on 12-31-2008	\$	140,921,026

2. Contingent Liability Reserve

Contingent Liability Reserve on 12-31-2007	\$	75,683,793
Contributions on 12-31-2008		0
Post-Age 65 Death Claims		(4,466,913)
Minnesota Life Expenses		(158,427)
State Premium Tax		(94,443)
Risk Charge		(4,197)
Interest on Contingent Liability Reserve in 2008		<u>4,229,674</u>
Contingent Liability Reserve on 12-31-2008	\$	75,189,487

Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2008		5.69%
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WISCONSIN LOCAL GOVERNMENTS

F. Summary of Assets and Liabilities for Post-Retirement Benefits on December 31

	<u>2007</u>	<u>2008</u>
1. Assets		
a. Premium Deposit Fund	\$ 132,996,091	\$ 140,921,026
b. Contingent Liability Reserve	<u>75,683,793</u>	<u>75,189,487</u>
c. Total	\$ 208,679,884	\$ 216,110,513
2. Liabilities		
a. Post-Age 65 Retirees	\$ 90,884,928	\$ 99,125,628
b. Pre-Age 65 Retirees	27,792,528	29,146,126
c. Active Employees	<u>121,252,095</u>	<u>126,971,199</u>
d. Total	\$ 239,929,551	\$ 255,242,953
3. Unfunded Accrued Liability [2(d) - 1(c)]	\$ 31,249,667	\$ 39,132,440
4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)]	87.0%	84.7%

Definitions of liability values:

- Post-Age 65 Retirees - present value of future claims
- Pre-Age 65 Retirees - present value of future claims minus present value of future premiums
- Active Employees - present value of future post-retirement claims minus present value of future employer contributions toward post-retirement life insurance

Funding Assumptions appear on page 42 of this report.

G. Stop-Loss Calculation for Retiree Insurance

Stop-Loss Limit	\$ 11,769,835
Claim Charges	\$ 9,172,754
Expense Charges	<u>772,656</u>
Total Charges	\$ 9,945,410
Catastrophic Loss Credit	\$ 0

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WISCONSIN LOCAL GOVERNMENTS

VII. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2008

Employee Contributions		\$	15,544,565
Employer Contributions			
Premium Credited to Plan	\$	1,132,432	1,132,432
Total Premium		\$	16,676,997
Reserve Brought Forward on January 1, 2008		\$	7,995,249
Death Claims	\$	11,322,166	
AD&D Claims		1,112,829	
Living Benefit Claims		268,000	
Increase in Disability Claim Reserve		578,356	
Pooled Claims		0	
Pool Charge		23,944	
Conversion Charge		2,100	
Catastrophic Loss Credit		0	
Total Claim Charges			\$ 13,307,395
Premium Deposit Fund on 12-31-2008	\$	8,447,661	
Stabilization Reserve on 12-31-2008		2,772,172	
Total			\$ 11,219,832
Payments to State			
State Premium Tax	\$	333,540	
State Internal Administration Expense		126,424	
Actuarial Service Charge		0	
Audit/Consultant Service Charge		0	
Research Survey Cost		0	
Total			\$ 459,964
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008			\$ 314,945
Minnesota Life Expenses	\$	1,171,458	
Reinsurance Expense		2,687	
Risk Charge		24,371	
Catastrophic Loss		0	
Federal Income Tax Charge		52,002	
Total	\$		1,250,518
Interest Credited to Plan			1,565,463
Interest Credited to Plan Less Cost			\$ 314,945

WISCONSIN LOCAL GOVERNMENTS

B. Historical Statistics - Active Employee Insurance - 2008 and Later

<u>Year</u>	<u>Insurance in Force at End of Year</u>	<u>Premium</u>		
		<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Premium</u>
2008	\$7,811,801,000	\$15,544,565	\$1,132,432	\$16,676,997

Claims

<u>Year</u>	<u>Death Losses</u>			<u>Living Benefits</u>	<u>Disability Losses</u>	<u>Total Claims</u>
	<u>Life</u>	<u>AD&D</u>	<u>Total</u>			
2008	\$11,322,166	\$1,112,829	\$12,434,995	\$268,000	\$578,356	\$13,281,351

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2008	\$13,281,351	\$2,100	\$0	\$23,944	\$13,307,395

WISCONSIN LOCAL GOVERNMENTS

B. Historical Statistics - Active Employee Insurance - 2008 and Later (cont'd)

<u>Year</u>	<u>Overhead Costs</u>						<u>State Internal Administration Expense</u>	<u>Interest Credits/Charges</u>
	<u>Insurance Company Expense</u>	<u>Reinsurance Expense</u>	<u>Risk Charge</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>		
2008	\$1,171,458	\$2,687	\$24,371	\$333,540	\$52,002	\$1,584,058	\$126,424	\$130,121

<u>Year</u>	<u>Reserves</u>			
	<u>Disability Reserve</u>	<u>Stabilization Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2008	\$17,729,504	\$2,772,172	\$8,447,660	\$28,949,336

<u>Year</u>	<u>Interest Credits on Reserves</u>			
	<u>Disability Reserve</u>	<u>Stabilization Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2008	\$982,931	\$0	\$452,411	\$1,435,342

WISCONSIN LOCAL GOVERNMENTS

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1983 through 2008

Employee Contribution		\$ 31,674,099
Death Claims	\$ 28,065,780	
Living Benefit Claims	135,000	
Conversion Charge	<u>259,065</u>	
Total Claim Charges		\$ 28,459,845
Stabilization Reserve on 12-31-2008		\$ 2,604,808
Payments to State		
State Premium Tax	\$ 633,483	
State Internal Administration Expense	856,529	
Audit/Consultant Service Charge	<u>15,094</u>	
Total		\$ 1,505,106
Payment from Stabilization Reserve for Premiums		\$ 41,392
Excess of Disbursement and Reserves over Premium		\$ 937,052
Minnesota Life Expenses	\$ 1,248,184	
Risk Charge	57,624	
Federal Income Tax Charge	<u>78,716</u>	
Total	\$ 1,384,524	
Interest Credited to Plan	<u>2,321,576</u>	
Interest Credited to Plan Less Cost		\$ 937,052

WISCONSIN LOCAL GOVERNMENTS

D. Historical Statistics - Spouse and Dependent Insurance

<u>Year</u>	<u>Employee Contributions</u>	<u>Death Losses</u>	<u>Living Benefits</u>	<u>Conversion Costs</u>	<u>Total Claim Charges</u>
2008	\$1,337,106	\$1,617,363	\$0	\$9,690	\$1,627,053
2007	1,428,404	1,690,331	20,000	14,700	1,725,031
2006	1,492,339	1,311,196	35,000	19,590	1,365,786
2005	1,483,313	1,426,228	20,000	25,800	1,472,028
2004	1,461,808	1,186,010	0	18,540	1,204,550
2003	1,450,770	1,344,795	0	19,680	1,364,475
2002	1,438,021	1,443,830	0	22,500	1,466,330
2001	1,387,334	1,585,553	20,000	3,360	1,608,913
2000	1,683,726	1,708,753	0	13,020	1,721,773
1999	2,004,228	1,392,740	40,000	13,560	1,446,300
1983- 1998	<u>16,507,050</u>	<u>13,358,981</u>	<u>0</u>	<u>98,625</u>	<u>13,457,606</u>
Total	\$31,674,099	\$28,065,780	\$135,000	\$259,065	\$28,459,845

<u>Year</u>	<u>Overhead Cost</u>						
	<u>Insurance Company</u>		<u>State Premium</u>	<u>Federal Income Tax</u>	<u>Total</u>	<u>State Internal Administration Expense</u>	<u>Audit/ Consultant Charge</u>
	<u>Expense</u>	<u>Risk Charge</u>	<u>Tax</u>	<u>Tax</u>		<u>Expense</u>	<u>Charge</u>
2008	\$71,000	\$2,674	\$26,742	(\$2,358)	\$98,059	\$24,797	\$0
2007	70,813	2,857	28,568	(2,033)	100,205	50,720	0
2006	69,394	2,985	29,847	(1,726)	100,500	45,654	1,891
2005	68,974	2,967	29,666	(1,788)	99,819	43,261	0
2004	67,974	2,924	29,236	(1,772)	98,362	39,520	0
2003	67,461	2,902	29,015	(1,614)	97,764	58,792	4,052
2002	66,868	2,876	28,760	(1,441)	97,063	27,200	0
2001	64,511	2,775	27,747	(1,677)	93,356	22,050	0
2000	62,662	3,367	33,675	2,536	102,240	0	3,273
1999	62,131	4,008	40,085	7,958	114,182	0	0
1983- 1998	<u>576,396</u>	<u>27,289</u>	<u>330,142</u>	<u>82,631</u>	<u>1,016,458</u>	<u>544,535</u>	<u>5,878</u>
Total	\$1,248,184	\$57,624	\$633,483	\$78,716	\$2,018,008	\$856,529	\$15,094

<u>Year</u>	<u>Insurance In Force At End of Year</u>	<u>Stabilization Reserve</u>	<u>Interest Credits</u>	
			<u>On Stabilization Reserve</u>	<u>Current Premium Less Charges</u>
2008	\$895,485,000	\$2,604,808	\$163,295	\$4,027
2007	893,160,000	2,850,288	180,878	5,548
2006	877,340,000	3,111,414	166,291	8,815
2005	868,055,000	2,957,800	177,232	8,179
2004	855,995,000	2,904,184	158,903	10,220
2003	844,175,000	2,615,685	167,387	8,299
2002	845,205,000	2,514,312	169,119	8,816
2001	829,425,000	2,488,949	181,673	4,938
2000	794,480,000	2,639,323	175,805	12,820
1999	771,135,000	3,184,815	131,088	15,723
1983- 1998	<u>779,930,000</u>	<u>2,003,701</u>	<u>393,423</u>	<u>169,097</u>
Total			\$2,065,094	\$256,482

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WISCONSIN LOCAL GOVERNMENTS

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2008

Retiree Contributions		\$	3,891,638
Employer Contributions			
Premium Credited to Plan	\$		1,437,480
Premium Deposit Fund			<u>368,820</u>
			<u>1,806,300</u>
Total Premium		\$	5,697,938
Reserve Brought Forward on January 1, 2008		\$	208,679,884
Death Claims	\$		9,046,381
AD&D Claims			173,596
Living Benefit Claims			27,750
Pooled Claims			0
Pool Charge			3,637
Conversion Charge			0
Catastrophic Loss Credit			<u>0</u>
Total Claim Charges		\$	9,251,364
Contingent Liability Reserve on 12-31-2008	\$		75,189,487
Premium Deposit Fund on 12-31-2008			<u>140,921,026</u>
Total		\$	216,110,513
Payments to State			
State Premium Tax	\$		201,026
State Internal Administration Expense			0
Actuarial Service Charge			27,305
Audit/Consultant Service Charge			0
Research Survey Cost			<u>0</u>
Total		\$	228,331
Withdrawals of Postretirement Life Insurance Values to Pay Health Insurance Premiums		\$	0
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008		\$	11,212,386
Minnesota Life Expenses	\$		558,652
Reinsurance Expense			918
Risk Charge			12,060
Catastrophic Loss			0
Federal Income Tax Charge			<u>18,476</u>
Total	\$		590,106
Interest Credited to Plan			<u>11,802,492</u>
Interest Credited to Plan Less Cost		\$	11,212,386

WISCONSIN LOCAL GOVERNMENTS

F. Historical Statistics - Retiree Insurance - 2008 and Later

<u>Year</u>	<u>Insurance In Force at End of Year</u>		<u>Pre-Age 65 Retiree Contributions</u>	<u>PDF Contributions</u>	<u>Total Premium</u>
	<u>Pre-Age 65</u>	<u>Post-Age 65</u>			
2008	714,345,000	230,296,250	\$3,891,638	\$1,806,300	\$5,697,938

Claims

<u>Year</u>	<u>Death Losses</u>				<u>Pre-Age 65 Living Benefits</u>	<u>Post-Age 65 Living Benefits</u>	<u>Total Claims</u>
	<u>Pre-Age 65 Life</u>	<u>Pre-Age 65 AD&D</u>	<u>Post -Age 65 Life</u>	<u>Total</u>			
2008	\$4,607,218	\$173,596	\$4,439,163	\$9,219,977	\$0	27,750	\$9,247,727

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2008	\$9,247,727	\$0	\$0	\$3,637	\$9,251,364

WISCONSIN LOCAL GOVERNMENTS

F. Historical Statistics - Retiree Insurance - 2008 and Later (cont'd)

<u>Year</u>	<u>Overhead Cost</u>						<u>Actuarial Service Charge</u>	<u>Interest Credits/Charges</u>
	<u>Insurance Company Expense</u>	<u>Reinsurance Expense</u>	<u>Risk Charge</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>		
2008	\$400,225	\$918	\$7,863	\$106,583	\$18,476	\$534,065	\$27,305	\$16,703

<u>Year</u>	<u>Reserves</u>		
	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2008	\$75,189,487	\$140,921,026	\$216,110,513

<u>Year</u>	<u>Interest Credits on Reserves</u>			<u>Withdrawals to Pay Health and LTC Premiums</u>
	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>	
2008	\$4,229,674	\$7,556,115	\$11,785,789	\$0

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WISCONSIN LOCAL GOVERNMENTS

G. Cumulative Financial Experience on Employee Insurance (Active Employees and Retirees) - 1960 through 2007

Employee Contributions		\$	247,240,031
Employer Contributions			
Premium Credited to Plan	\$		34,214,362
Premium Deposit Fund			<u>35,774,042</u>
			<u>69,988,404</u>
Total Premium		\$	317,228,435
Death Claims	\$		273,752,066
AD&D Claims			16,867,867
Living Benefit Claims			3,510,750
Increase in Disability Claim Reserve			17,151,148
Pooled Claims			0
Pool Charge			99,732
Conversion Charge			338,490
Catastrophic Loss Credit			<u>(178,106)</u>
Total Claim Charges		\$	311,541,947
Contingent Liability Reserve on 12-31-2007	\$		75,683,793
Premium Deposit Fund on 12-31-2007			<u>140,991,340</u>
Total		\$	216,675,133
Payments to State			
State Premium Tax	\$		6,679,342
State Internal Administration Expense			3,892,703
Actuarial Service Charge			38,388
Audit/Consultant Service Charge			51,735
Research Survey Cost			<u>10,520</u>
Total		\$	10,672,688
Payment from Contingent Liability Reserve for Premiums		\$	1,883,923
Withdrawals of Postretirement Life Insurance Values to Pay Health Insurance Premiums		\$	56,310
Excess of Disbursement and Reserves Over Premium		\$	223,601,566
Minnesota Life Expenses	\$		18,448,064
Reinsurance Expense			131,816
Risk Charge			1,357,265
Catastrophic Loss			178,106
Federal Income Tax Charge			<u>952,651</u>
Total	\$		21,067,902
Interest Credited to Plan			<u>244,669,468</u>
Interest Credited to Plan Less Cost		\$	223,601,566

WISCONSIN LOCAL GOVERNMENTS

H. Historical Statistics - Active Employee and Retiree Insurance - through 2007

Year	Insurance In Force at End of Year		Year	Premium			Total Premium
	Pre-Retirement	Post-Retirement		Employee Contributions	Employer Contributions	Employer PDF Contributions	
2007	\$8,106,420,000	\$209,309,500	2007	\$18,514,622	\$1,104,737	\$1,732,601	\$21,351,960
2006	7,605,139,000	190,202,187	2006	16,955,065	950,272	1,610,684	19,516,021
2005	7,197,947,000	173,746,187	2005	15,776,326	880,599	1,523,359	18,180,284
2004	6,704,793,000	161,093,937	2004	14,659,344	833,183	1,488,778	16,981,305
2003	6,344,520,000	152,082,937	2003	13,898,798	804,687	1,461,837	16,165,322
2002	5,965,707,000	141,320,687	2002	12,512,375	741,180	1,374,756	14,628,311
2001	5,505,865,000	134,879,000	2001	11,320,435	571,653	1,274,766	13,166,854
2000	4,964,213,000	125,537,000	2000	10,116,720	537,353	1,378,975	12,033,048
1999	4,559,369,000	115,355,750	1999	9,455,950	525,820	1,329,891	11,311,661
1998	3,729,857,000	106,349,250	1998	8,935,636	520,786	1,305,749	10,762,171
1996	3,388,947,000	101,841,000	1960 -1997	<u>115,094,760</u>	<u>26,744,092</u>	<u>21,292,646</u>	<u>163,131,498</u>
			Total	\$247,240,031	\$34,214,362	\$35,774,042	\$317,228,435

Year	Claims						
	Death Losses				Living Benefits	Disability Losses	Total Claims
	Pre-Retirement Life	Pre-Retirement AD&D	Post-Retirement Life	Total			
2007	\$13,661,977	\$1,192,492	\$5,305,187	\$20,159,656	\$511,000	\$1,327,477	\$21,998,133
2006	12,342,722	1,580,258	4,521,061	18,444,041	901,000	1,430,034	20,775,075
2005	10,388,980	879,966	4,145,891	15,414,837	124,500	804,850	16,344,187
2004	12,627,796	1,015,277	4,283,601	17,926,674	200,000	(605,989)	17,520,685
2003	12,350,259	1,669,819	3,986,298	18,006,376	487,000	549,221	19,042,597
2002	9,734,737	1,236,492	3,852,234	14,823,463	458,750	1,332,365	16,614,578
2001	9,365,292	628,839	3,562,572	13,556,703	123,000	1,869,808	15,549,511
2000	7,971,710	769,460	3,348,041	12,089,211	23,750	1,086,269	13,199,230
1999	7,612,827	720,856	3,340,578	11,674,261	283,750	332,907	12,290,918
1998	7,828,959	587,626	3,261,026	11,677,611	177,000	901,549	12,756,160
1960- 1997	<u>93,984,509</u>	<u>6,586,782</u>	<u>36,275,809</u>	<u>136,847,100</u>	<u>221,000</u>	<u>8,122,657</u>	<u>145,190,757</u>
Total	\$197,869,768	\$16,867,867	\$75,882,298	\$290,619,933	\$3,510,750	\$17,151,148	\$311,281,831

Year	Total Claims	Conversion Charge	Pooled Claims	Pool Charge	Total Claim Charges
2007	\$21,998,133	\$11,160	\$0	\$23,273	\$22,032,566
2006	20,775,075	57,600	0	25,208	20,857,883
2005	16,344,187	26,640	0	19,746	16,390,573
2004	17,520,685	26,640	0	17,119	17,564,444
2003	19,042,597	16,860	0	14,386	19,073,843
2002	16,614,578	22,500	0	0	16,637,078
2001	15,549,511	16,380	0	0	15,565,891
2000	13,199,230	8,940	0	0	13,208,170
1999	12,290,918	4,740	0	0	12,295,658
1998	12,756,160	1,500	0	0	12,757,660
1960- 1997	<u>145,190,757</u>	<u>145,530</u>	<u>0</u>	<u>0</u>	<u>145,336,287</u>
Total	\$311,281,831	\$338,490	\$0	\$99,732	\$311,720,053

WISCONSIN LOCAL GOVERNMENTS

H. Historical Statistics - Active Employee and Retiree Insurance - through 2007 (cont'd)

Year	Overhead Cost						State Internal Administration Expense	Actuarial Service Charge	Audit/ Consultant Charge	Research Survey Cost	Interest Credits/ Charges
	Insurance Company Expense	Reinsurance Expense	Risk Charge*	State Premium Tax	Federal Income Tax	Total					
2007	\$1,642,242	\$3,416	\$65,405	\$468,673	\$72,165	\$2,251,901	\$249,586	\$23,936	\$0	\$0	\$191,898
2006	1,494,687	3,123	47,586	444,260	64,454	2,054,110	223,343	0	8,699	0	110,645
2005	1,389,672	2,909	42,714	349,646	61,415	1,846,356	208,373	0	0	0	143,998
2004	1,285,912	2,675	29,069	371,621	59,267	1,748,544	181,758	905	0	0	89,217
2003	1,221,501	2,639	54,756	401,966	60,462	1,741,324	253,424	1,700	18,633	0	121,600
2002	1,117,501	4,175	46,950	348,868	52,727	1,570,221	150,150	1,745	0	0	87,189
2001	1,003,151	4,517	47,021	325,213	44,602	1,424,504	107,850	1,650	0	0	92,006
2000	919,839	11,163	46,654	276,155	41,480	1,295,291	38,007	1,402	8,727	0	74,225
1999	842,497	11,704	39,389	256,390	45,544	1,195,524	0	1,391	0	0	61,178
1998	781,429	10,963	67,869	269,165	51,662	1,181,088	137,490	1,153	0	0	66,448
1960- 1997	<u>6,749,633</u>	<u>74,532</u>	<u>869,852</u>	<u>3,167,385</u>	<u>398,873</u>	<u>11,260,275</u>	<u>2,342,722</u>	<u>4,506</u>	<u>15,676</u>	<u>10,520</u>	<u>1,711,724</u>
Total	\$18,448,064	\$131,816	\$1,357,265	\$6,679,342	\$952,651	\$27,569,138	\$3,892,703	\$38,388	\$51,735	\$10,520	\$2,750,128

*Risk charge reflects reduction for 1987 catastrophic loss credit of \$178,106.

Year	Reserves				Total
	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund		
2007	\$17,151,148	\$75,683,793	\$140,991,340		\$233,826,281
2006	15,823,671	75,175,650	131,607,871		222,607,192
2005	14,393,637	75,305,226	123,117,809		212,816,672
2004	13,588,787	72,017,608	114,855,712		200,462,107
2003	14,194,776	70,683,368	107,040,743		191,918,887
2002	13,645,555	70,171,487	100,249,667		184,066,709
2001	12,313,190	69,463,315	92,628,705		174,405,210
2000	10,443,382	68,348,884	85,827,691		164,619,957
1999	9,357,113	66,759,288	78,788,609		154,905,010
1998	9,024,206	65,206,883	72,488,388		146,719,477
1997	8,122,657	64,306,104	67,178,644		139,607,405

Year	Interest Credits on Reserves				Withdrawals to Pay Health Premiums
	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	Total	
2007	\$929,813	\$4,325,062	\$7,670,212	\$12,925,087	\$19,344
2006	818,117	4,180,360	6,879,378	11,877,855	0
2005	816,982	4,115,015	6,738,738	11,670,735	0
2004	823,287	4,424,860	6,337,309	11,585,456	11,118
2003	867,360	4,707,408	6,542,089	12,116,857	11,898
2002	827,016	4,782,466	6,363,346	11,972,828	0
2001	745,750	4,865,755	6,146,276	11,757,781	1,301
2000	667,981	4,744,914	5,660,107	11,073,002	0
1999	610,273	4,391,757	4,970,330	9,972,360	0
1998	551,337	4,327,436	4,580,522	9,459,295	12,649
1960- 1997	<u>7,916,027</u>	<u>72,558,458</u>	<u>47,033,599</u>	<u>127,508,084</u>	<u>0</u>
Total	\$15,573,943	\$117,423,491	\$108,921,906	\$241,919,340	\$56,310

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STATE OF WISCONSIN
AND WISCONSIN LOCAL GOVERNMENTS

VIII. Funding Assumptions

A. Salaries increase annually in accordance with the following schedule:

	Percentage Increase	
<u>Age</u>	<u>State</u>	<u>Local</u>
20	9.0	10.0
25	8.3	9.0
30	7.3	7.2
35	6.4	6.0
40	5.8	5.5
45	5.6	5.1
50	5.4	4.9
55	5.2	4.6
60	4.8	4.5
65	4.6	4.4

B. Annual employee withdrawal rates are as follows:

	Withdrawals Per 1,000	
<u>Age</u>	<u>State</u>	<u>Local</u>
20	61	47
25	61	47
30	54	39
35	42	27
40	31	20
45	23	16
50	19	14
55	15	12
60	11	9

C. Annual interest rates are 7% for active employees and pre-age 65 retirees, and 5% for post-age 65 retirees.

D. Expected mortality and morbidity are based on studies of the actual experience of the plan during the years 2005 through 2007. Annual accidental death rates of .12 deaths per thousand for State employees and .10 deaths per thousand for employees of participating public employers are assumed at all ages under 65. These rates are also based on plan experience during 2005 through 2007.

E. No explicit allowance is made for insurance company expenses or State premium taxes.

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STATE OF WISCONSIN
AND WISCONSIN LOCAL GOVERNMENTS

IX. Conversion of Postretirement Life Insurance Values to Pay Health or Long-Term Care Insurance Premiums

Report on operations for 2008, the fourteenth year of the benefit

	<u>State Retirees</u>	<u>Local Retirees</u>
A. Number of Retirees Utilizing Benefit		
1. Utilization on December 31, 2007	87	2
2. Conversions Effective in 2008	39	0
3. Terminations During 2008		
a. Exhaustion of Conversion Account Balance	31	0
b. Death	3	0
c. Revocation of Conversion	1	0
d. Reversion to Life Insurance Plan Reserve	<u>2</u>	<u>0</u>
e. Total Terminations (a+b+c+d)	37	0
4. Adjustments	0	1
5. Utilization on December 31, 2008 (1+2-3e+4)	89	3
B. Conversion Account Activity		
1. Conversion Account Balances on December 31, 2007	\$ 478,658.87	\$ 24,139.90
2. Conversion Account Balances Established in 2008	\$ 458,049.00	\$ 0.00
3. Payments From Conversion Accounts During 2008		
a. Health Insurance Premiums	\$ 330,822.13	\$ 3,391.20
b. Long-term Care Insurance Premiums	54,465.29	0.00
c. Death Benefits	15,155.45	0.00
d. Revocation of Conversion	(243.10)	0.00
e. Reversion to Life Insurance Plan Reserve	21,331.89	0.00
f. Adjustments	<u>3,590.83</u>	<u>6.50</u>
g. Total Payments (a+b+c+d+e+f)	\$ 425,122.49	\$ 3,397.70
4. Conversion Account Balances on December 31, 2008 (1+2-3g)	\$ 511,585.38	\$ 20,742.20

STATE OF WISCONSIN
AND WISCONSIN LOCAL GOVERNMENTS

	<u>State Retirees</u>	<u>Local Retirees</u>
C. Cumulative Number of Retirees Utilizing Benefit - 1995 through 2008		
1. Conversions	473	8
2. Terminations		
a. Exhaustion of Conversion Account Balance	349	6
b. Death	28	0
c. Revocation of Conversion	3	0
d. Reversion to Life Insurance Plan Reserve	<u>4</u>	<u>0</u>
e. Total Terminations (a+b+c+d)	384	6
3. Adjustments	0	1
4. Utilization on December 31, 2008 (1-2e+3)	89	3
D. Cumulative Conversion Account Activity - 1995 through 2008		
1. Conversion Account Balances Established	\$ 5,006,929.25	\$ 56,310.00
2. Payments From Conversion Accounts		
a. Health Insurance Premiums	\$ 3,603,797.19	\$ 35,561.30
b. Long-term Care Insurance Premiums	708,081.09	0.00
c. Death Benefits	131,148.73	0.00
d. Revocation of Conversion	26,678.90	0.00
e. Reversion to Life Insurance Plan Reserve	22,047.13	0.00
f. Adjustments	<u>3,590.83</u>	<u>6.50</u>
g. Total Payments (a+b+c+d+e+f)	\$ 4,495,343.87	\$ 35,567.80
3. Conversion Account Balances on December 31, 2008 (1-2g)	\$ 511,585.38	\$ 20,742.20

GROUP LIFE INSURANCE PLAN COVERAGES
FOR STATE EMPLOYEES AND
THEIR SPOUSES AND DEPENDENTS

REPORT TO THE GROUP INSURANCE BOARD
OF THE STATE OF WISCONSIN

Submitted by
Minnesota Life Insurance Company

August 25, 2009

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PREMIUM RATES FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

Review of Recent Plan Experience

- Premiums

The premium rate structure for the plan is described in the Appendix at the end of this report. The fundamental principles of this structure were adopted by the Board on August 30, 1994.

The most recent change in premium rates occurred on March 1, 2008, when employee premium rates were increased for additional insurance. Because the additional insurance is provided on an employee-pay-all basis, employer premium contributions were not affected by the change.

- Claims

Historically, claim rates have shown a steady pattern of improvements over many years. These improvements have allowed the Board to reduce premium rates frequently.

Claims during 2008 were the best ever experienced on the plan, and considerably better than the targeted level. These results were also considerably improved over results in 2006 and 2007, which together were slightly better than the targeted level. The excellent 2008 result means the claims during the most recent three-year period are better than the targeted level. However, the 2008 result is so dramatically different from other recent years' experience that it appears to reflect primarily a fluctuation, rather than a fundamental improvement, in claim rates. We believe it is prudent to monitor results through the end of 2009 before considering premium rate changes.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee and employer premium contribution rates be continued at their current levels in 2010.

STOP-LOSS LIMITS FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

Summary of Stop-Loss Provision

- Limits the liability of plan reserves for high claims in a policy year. Excess claims and expenses above the stop-loss limit are covered by risk reserves of Minnesota Life and the reinsurer.
- State and local government plans are separate for purposes of the stop-loss provision.
- The annual stop-loss limit for each plan is calculated by applying a table of stop-loss rates to the amounts of insurance in force.
- Stop-loss rates are determined based on recent claims experience and are set so that claims and expenses are expected to exceed the stop-loss limit in three years out of every one hundred years.

Recent Experience

The current stop-loss rates were implemented on January 1, 2008. As discussed in the first section of this report, overall claims in the years 2006 through 2008 were lower than the experience on which the current rates are based.

Recommendation

Given recent experience and consistent with the recommended employee and employer premium contribution rates for 2010, Minnesota Life recommends that stop-loss rates be maintained at their current levels in 2010.

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

The monthly premium paid by State employees for each unit of spouse and dependent insurance has been \$2.00 during most of the plan's lifetime. Based on several years of high claims in the late 1990s, the premium was increased to \$2.50 on March 1, 2001 with the goals of covering anticipated claim costs and strengthening the stabilization reserve that is maintained to provide financial stability as claims fluctuate from year to year.

When improved claims experience led to substantial growth of the stabilization reserve, the premium was changed back to \$2.00 on March 1, 2004. It was anticipated that claims and expenses would exceed premiums at the reduced rate and that the excess would be drawn from the stabilization reserve, which was large enough to provide this support for at least several years.

Claims during 2008 were higher than the targeted level, and the excess was drawn from the reserve. The stabilization reserve balance on December 31, 2008 was \$413,515, which is approximately 40% of the plan's annual premium. This reserve balance is below the targeted level of 50%, and it is desirable to strengthen the reserve.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that spouse and dependent insurance premiums be increased from \$2.00 to \$2.50 monthly per unit of coverage. This will enable the premiums to cover anticipated claims and will allow for strengthening of the stabilization reserve.

Implementation

Traditionally, premium rate changes have been timed to coincide with the annual adjustments in insurance amounts for State employees. These adjustments occur on March 1 of each year. Therefore, we recommend that the premium rate change be effective on March 1, 2010.

Cost Implications

The proposed premium change will increase employee premiums by 25%. Based on the 2008 policy year premium of \$1,038,545, the estimated annual increase is \$259,636. By statute, the State is not required to contribute toward premiums.

Submitted for Minnesota Life Insurance Company by:

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul E. Rudeen, FSA
Vice President and Actuary
Group Insurance Division

August 25, 2009

APPENDIX

SUMMARY OF BENEFIT AND PREMIUM STRUCTURE

Employee Insurance

Basic Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (1), Stats.
- Coverage can be continued, and the employee is liable for premium, up to age 70 (age 65 if retired). Thereafter, eligible employees receive premium-free postretirement coverage at 50% of the active coverage amount.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. State premiums, which are expressed as a percentage of employee premiums, are intended to pay a portion of the cost of current coverage and to also cover the cost of future postretirement coverage. The State pays an amount equal to 63% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.

Supplemental Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (10), Stats.
- Coverage can continue, and employee is liable for premium, up to age 70 (age 65 if retired). There is no postretirement benefit.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- The State pays the difference between employee premium and total premium. The State pays an amount equal to 35% of the employee premium.
- Premiums are established annually by the Group Insurance Board. Employee premium rates are equal to those for the basic plan.

Additional Coverage:

- Controlled by s. 40.03 (6) (b), Stats. and the life insurance contract.

- An employee may purchase one, two or three units of coverage.
- The employee pays the entire premium. There is no maximum premium. Coverage can be continued for as long as the employee remains employed (or until age 65 if retired). There is no postretirement benefit.
- Premium rates are set by the Group Insurance Board. Minnesota Life's recommendation is based on experience in the three most recent plan years.

Spouse and Dependent Insurance

- An insured employee's legal spouse and unmarried children, including stepchildren, adopted children, children in adoptive placement and legal wards, are eligible for coverage.
- A dependent child is eligible until age 19 or until age 25 if a full-time student. A physically or mentally disabled dependent may qualify beyond age 25.
- An employee may purchase either one or two units of coverage.
- Amounts of insurance per unit of coverage:

Spouse	\$10,000
Dependent Child	5,000

- Monthly premium is \$2.00 per unit of coverage. By statute, the State is not required to contribute toward premiums.
- Benefits and premiums are established by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.

GROUP LIFE INSURANCE PLAN COVERAGES
FOR LOCAL GOVERNMENT EMPLOYEES AND
THEIR SPOUSES AND DEPENDENTS

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PREMIUM RATES FOR THE LOCAL GOVERNMENT EMPLOYEE
GROUP LIFE INSURANCE PLAN

Review of Recent Plan Experience

- Premiums

The premium rate structure for the plan is described in the Appendix at the end of this report. The fundamental principles of this structure were adopted by the Board on November 29, 1994.

The most recent change in premium rates occurred on July 1, 2008, when employee premium rates were reduced for basic, supplemental and additional insurance. Because employer contributions are based on a percentage of employee premium rates, employer premium contributions were also reduced at that time.

- Claims

Historically, claim rates have shown a steady pattern of improvements over many years. These improvements have allowed the Board to reduce premium rates frequently.

Claims during 2008 were better than the targeted level for the fourth consecutive year. The good 2008 result means the claims during the most recent three-year period are somewhat better than the targeted level, with all three annual results within a fairly narrow range.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee premium contribution rates be reduced in 2010 for basic, supplemental and additional insurance at ages 50 through 59.

Basic, Supplemental and Additional Insurance

<u>Age</u>	<u>Monthly Premium Rate per \$1,000 of Insurance</u>		<u>Percent Reduction</u>
	<u>Current</u>	<u>Proposed</u>	
Under 30	\$.05	\$.05	0%
30 – 34	.06	.06	0
35 – 39	.07	.07	0
40 – 44	.09	.09	0
45 – 49	.15	.15	0
50 – 54	.27	.23	15
55 – 59	.44	.43	2
60 – 64	.53	.53	0
65 – 69	.60	.60	0

The implementation of the recommended rate table would mean that the employee premium rates at all ages are either less than or equal to the Internal Revenue Service Table I rates. This would give participating local governments the opportunity to decide whether they are still subject to the calculation of imputed income for insured employees.

Implementation

Traditionally, premium rate changes for local government employees have taken effect on July 1. We recommend that the premium rate changes outlined in this report be effective on July 1, 2010.

Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2008. Overall, premiums decrease by 3.8%.

	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Reduction</u>	<u>% Reduction</u>
Employees	\$21,638,234	\$20,828,118	\$810,116	3.7%
Employers	<u>1,897,008</u>	<u>1,816,211</u>	<u>80,797</u>	<u>4.3%</u>
Total	\$23,535,242	\$22,644,329	\$890,913	3.8%

STOP-LOSS LIMITS FOR THE LOCAL GOVERNMENT EMPLOYEE GROUP LIFE INSURANCE PLAN

Summary of Stop-Loss Provision

- Limits the liability of plan reserves for high claims in a policy year. Excess claims and expenses above the stop-loss limit are covered by risk reserves of Minnesota Life and the reinsurers.
- State and local government plans are separate for purposes of the stop-loss provision.
- The annual stop-loss limit for each plan is calculated by applying a table of stop-loss rates to the amounts of insurance in force.
- Stop-loss rates are determined based on recent claims experience and are set so that claims and expenses are expected to exceed the stop-loss limit in three years out of every one hundred years.

Recent Experience

The current stop-loss rates were implemented on January 1, 2008. As discussed in the first section of this report, claims in the years 2006 through 2008 were somewhat lower than the experience on which the current rates are based.

Recommendation

Given recent experience and consistent with the recommended employee and employer premium contribution rates for 2010, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2010. The current and proposed stop-loss rates for the local government plan appear in the table on the following two pages. The proposed rates will reduce the stop-loss limit by 3.9% for active employees and by 0.4% for retirees.

Cost Implications

Reducing the stop-loss rates has no impact on employee cost or on the annual employer premium contribution. However, reducing the stop-loss rates reduces the ultimate liability of plan reserves arising from any one policy year with very high claims.

MONTHLY STOP-LOSS RATES PER \$1,000 OF INSURANCE
ACTIVE EMPLOYEES

<u>Attained Age</u>	<u>Stop-Loss Rate</u>		<u>Attained Age</u>	<u>Stop-Loss Rate</u>	
	<u>Current</u>	<u>Proposed</u>		<u>Current</u>	<u>Proposed</u>
17	\$.07	\$.07	59	\$.57	\$.56
18	.07	.07	60	.67	.67
19	.07	.07	61	.72	.72
20	.07	.07	62	.78	.78
21	.07	.07	63	.84	.84
22	.07	.07	64	.90	.90
23	.07	.07	65	1.02	1.02
24	.07	.07	66	1.22	1.22
25	.07	.07	67	1.41	1.41
26	.07	.07	68	1.59	1.59
27	.07	.07	69	1.68	1.68
28	.07	.07	70	1.90	1.90
29	.07	.07	71	2.12	2.12
30	.07	.07	72	2.51	2.51
31	.07	.07	73	2.93	2.93
32	.08	.08	74	3.43	3.43
33	.08	.08	75	3.85	3.85
34	.09	.09	76	4.36	4.36
35	.09	.09	77	4.87	4.87
36	.10	.10	78	5.44	5.44
37	.11	.11	79	6.04	6.04
38	.11	.11	80	6.65	6.65
39	.12	.12	81	7.30	7.30
40	.12	.12	82	7.91	7.91
41	.13	.13	83	8.58	8.58
42	.15	.15	84	9.33	9.33
43	.15	.15	85	10.17	10.17
44	.16	.16	86	11.10	11.10
45	.16	.16	87	12.04	12.04
46	.17	.17	88	13.05	13.05
47	.19	.19	89	14.22	14.22
48	.22	.22	90	15.48	15.48
49	.26	.26	91	16.82	16.82
50	.28	.24	92	18.20	18.20
51	.31	.27	93	19.60	19.60
52	.34	.29	94	21.06	21.06
53	.38	.32	95	22.57	22.57
54	.41	.36	96	24.14	24.14
55	.46	.45	97	25.76	25.76
56	.49	.48	98	51.18	51.18
57	.53	.52	99	81.59	81.59
58	.55	.54	100 and Over	83.33	83.33

MONTHLY STOP-LOSS RATES PER \$1,000 OF INSURANCE
RETIREES

<u>Attained Age</u>	<u>Stop-Loss Rate</u>		<u>Attained Age</u>	<u>Stop-Loss Rate</u>	
	<u>Current</u>	<u>Proposed</u>		<u>Current</u>	<u>Proposed</u>
45	\$.13	\$.13	73	\$ 2.52	\$ 2.52
46	.14	.14	74	2.94	2.94
47	.16	.16	75	3.30	3.30
48	.19	.19	76	3.73	3.73
49	.22	.22	77	4.18	4.18
50	.24	.20	78	4.67	4.67
51	.27	.23	79	5.17	5.17
52	.29	.25	80	5.70	5.70
53	.33	.28	81	6.26	6.26
54	.36	.31	82	6.78	6.78
55	.39	.38	83	7.35	7.35
56	.42	.41	84	8.00	8.00
57	.45	.44	85	8.72	8.72
58	.47	.46	86	9.51	9.51
59	.49	.48	87	10.32	10.32
60	.58	.58	88	11.18	11.18
61	.61	.61	89	12.19	12.19
62	.67	.67	90	13.27	13.27
63	.72	.72	91	14.42	14.42
64	.78	.78	92	15.60	15.60
65	.88	.88	93	16.80	16.80
66	1.05	1.05	94	18.05	18.05
67	1.21	1.21	95	19.34	19.34
68	1.36	1.36	96	20.69	20.69
69	1.44	1.44	97	22.08	22.08
70	1.63	1.63	98	43.87	43.87
71	1.81	1.81	99	69.94	69.94
72	2.15	2.15	100 and over	83.33	83.33

DEPENDENTS OF LOCAL GOVERNMENT EMPLOYEES

Recent Claims Experience

The monthly premium paid by local government employees for each unit of spouse and dependent insurance has been \$2.00 during most of the plan's lifetime. From July 1, 1996 through June 30, 2000, the premium was increased to \$3.00 in order to cover anticipated claim costs and also to strengthen the stabilization reserve that is maintained to provide financial stability as claims fluctuate from year to year. The premium was changed back to \$2.00 on July 1, 2000.

In recent years, claims were essentially at the targeted level. However, the stabilization reserve balance grew because of interest credits earned. Based on the recent experience and the size of the stabilization reserve balance, premiums were reduced to \$1.75 monthly for each unit of insurance effective July 1, 2007. It is anticipated that claims and expenses will exceed premiums at the reduced rate and the excess will be drawn from the stabilization reserve, which is large enough to provide this support for at least several years.

2008 claims results were high, with the excess claims being drawn from the plan's stabilization reserve as anticipated.

Recommendation

Based on our analysis of recent experience and because of the large stabilization reserve balance, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2010.

Submitted for Minnesota Life Insurance Company by:

Robert M. Olafson, FSA
Senior Vice President
Group Insurance Division

Paul E. Rudeen, FSA
Vice President and Actuary
Group Insurance Division

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APPENDIX

SUMMARY OF BENEFIT AND PREMIUM STRUCTURE

Employee Insurance

Basic Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (1), Stats.
- Coverage can be continued, and the employee is liable for premium, up to age 70 (age 65 if retired). Thereafter, eligible employees receive premium-free postretirement coverage at 25% or 50% of the active coverage amount.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- Employer pays the difference between employee premium and total premium. Employer premiums, which are expressed as a percentage of employee premiums, are intended to cover the cost of postretirement coverage. Employers that elect the 50% postretirement benefit pay an amount equal to 40% of the employee premium. Most local employers pay an amount equal to 20% of the employee premium to provide a 25% postretirement benefit.
- Premiums are established annually by the Group Insurance Board. Minnesota Life makes recommendations based on the combined experience of the basic, supplemental and additional plans in the three most recent plan years.

Supplemental Coverage:

- Controlled by ss. 40.05 (6) (a) and 40.72 (10), Stats.
- Coverage can continue, and employee is liable for premium, up to age 70 (age 65 if retired). There is no postretirement benefit.
- Maximum employee premium, by statute, is \$0.60 per \$1,000 in coverage.
- Employer pays the difference, if any, between employee premium and total premium. Prior to July 1, 1995, local employers were required to pay an amount equal to at least 20% of the total premium. Based on Board action in November 1994, effective July 1, 1995, employers are not required to contribute toward the premiums for supplemental insurance; employees pay the total premium.
- Premiums are established annually by the Group Insurance Board. The total supplemental premium is set equal to the employee premium for the basic plan.

Additional Coverage:

- Controlled by s. 40.03 (6) (b), Stats. and the life insurance contract.

- An employee may purchase one, two or three units of coverage.
- The employee pays the entire premium. There is no maximum premium. Coverage can be continued for as long as the employee remains employed (or until age 65 if retired). There is no postretirement benefit.
- Premium rates are set by the Group Insurance Board. The premium rates for additional insurance are set equal to the employee premium rates for the basic plan.

Spouse and Dependent Insurance

- An insured employee's legal spouse and unmarried children, including stepchildren, adopted children, children in adoptive placement and legal wards, are eligible for coverage.
- A dependent child is eligible until age 19 or until age 25 if a full-time student. A physically or mentally disabled dependent may qualify beyond age 25.
- An employee may purchase either one or two units of coverage.
- Amounts of insurance per unit of coverage:

Spouse	\$10,000
Dependent	5,000

- Monthly premium is \$1.75 per unit of coverage. By statute, local government employers are not required to contribute toward premiums.
- Benefits and premiums are established by the Group Insurance Board. Minnesota Life makes recommendations based on experience in the three most recent plan years.