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CORRESPONDENCE MEMORANDUM

DATE: July 23, 2010
TO: Group Insurance Board
FROM: Marcia Blumer, Program Manager
Wisconsin Public Employers Group Life Insurance Program
SUBJECT: Wisconsin Public Employers (WPE) Group Life Insurance
2009 Policy Year Report and Recommendations

Staff recommends that the Board approve Minnesota Life Insurance Company's recommendation to decrease premium rates for State employee coverage in all age brackets and to decrease premium rates for local government employee coverage in the 45 through 64 age brackets. The stop-loss rates will also decrease consistent with the reduction in premium contributions.

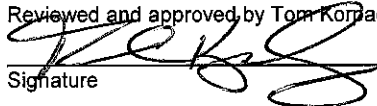
A summary of the 2009 plan year experience can be found in Attachment A - *Financial Experience Report*. The significant results of the 2009 policy year operations are highlighted in a letter from Bob Olafson and Paul Rudeen of Minnesota Life Insurance Company found at the front of this report. Minnesota Life's premium recommendations for 2011 can be found in the separate State and local government plan reports that are also attached.

Staff further recommends a reduction in the premium rates for additional life insurance coverage for active employees ages 77 and older.

A summary of this recommendation is included in this memo.

State Plan Recommendations

Following several years of favorable claims experience, the claims experience in 2009 for the State employee plan was the best ever. (See Attachment B - *State Coverage Recommendations*.) Minnesota Life recommends decreasing the employee and employer contribution rates for all levels of coverage and age brackets, resulting in an overall decrease of 12%. The stop-loss rates will also decrease consistent with the recommended reduction in premium contributions. The premium and stop-loss rate change will be effective April 1, 2011.

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

Signature _____ Date 7/28/2010

| Board | Mtg Date | Item # |
|-------|----------|--------|
| GIB | 8.24.10 | 6A |

Claims experience in the State spouse and dependent plan was slightly higher than expected but showed some improvement over last year. The premium was increased to \$2.50 per unit of coverage in 2010 to restore the stabilization reserve balance that had fallen below the targeted level. In light of continued high claims experience, the monthly premiums are recommended to remain at \$2.50 per unit.

Local Government Plan Recommendations

In 2009 the claims experience for the local government employee plan was the best ever and, considering the premium rate reduction that became effective July 1, 2010, Minnesota Life recommends that premium rates be reduced for basic, supplemental, and additional insurance for ages 45 through 64. The stop-loss rates will also decrease consistent with the recommended reduction in premium contributions. The premium and stop-loss rate change will be effective July 1, 2011. (See Attachment C – *Local Coverage Recommendations*.)

Although 2009 local government spouse and dependent claims were higher than the current target level, excess claims are being drawn from the plan's stabilization reserve that 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 2011.

Premium Rates for Active Employees Over Age 70

Internal Revenue Code (IRC) Section 79 provides an income tax exclusion for the first \$50,000 of group-term life insurance coverage provided under a policy that is carried directly or indirectly by an employer. The value of life insurance coverage must be included in income and is subject to social security and Medicare taxes if coverage exceeds \$50,000 and the policy is considered carried directly or indirectly by the employer. A policy is considered carried directly or indirectly by the employer if:

1. The employer pays any cost of the life insurance, or
2. The employer arranges for the premium payments and the premiums paid by at least one employee subsidize those paid by at least one other employee (the "straddle" rule).

The determination of whether the premium rates meet the "straddle" rule is based on how the WPE Group Life premium table compares to the IRS Premium Table I. If the WPE Group Life premium table "straddles" the IRS Premium Table I, then the employer is considered to be affecting the premium cost through its subsidizing and/or redistributing role. As a result, there is a benefit to employees which the IRS considers to be a taxable benefit even if the employees are paying the full cost they are charged. Employers must calculate the taxable portion of the premiums for coverage that exceeds \$50,000 and add it to an employee's taxable income.

Effective July 1, 2010, the premium rates for local government employees under age 70 are all equal to or lower than the IRC Table I rates. However, local government employees age 77 or older continue to have rates that are higher than Table I, thus straddling the table. This requires local employers to calculate imputed income for all insured employees.

We recommend changing the premium rates for additional coverage for ages 77 and older to be equal to the IRC Table I rates. The local government employers will appreciate eliminating the extra administration involved with imputed income. Because imputed income is added to calendar year earnings, we recommend an effective date of January 1, 2011, for local employers.

We also recommend changing the premium rates for additional coverage for State employees ages 77 and older. The State offers life insurance to State employees through an IRC Section 125 plan which requires that imputed income on pre-tax deductions continue to be calculated. We recommend that the rate change for ages 77 and older go into effect for April 1, 2011, coverage when the other recommended rate changes go into effect.

There are a total of six state and local government employees with insurance who are age 77 and older and the total premium reduction for those six employees is approximately \$1,200. This slight reduction in premium will have virtually no financial impact on the WPE Program.

A comparison between the current rates, the proposed rates and the Table I rates are illustrated in Attachment D – *Local Government Premium Rate Tables*.

Attachments: Attachment A - 2009 Financial Experience Report with highlights letter
Attachment B - State Coverage Recommendations
Attachment C - Local Coverage Recommendations
Attachment D - Local Government Premium Rate Tables

Financial Experience Report

State of Wisconsin
Group Insurance Board

January 1, 2009 through December 31, 2009

Policy Number: 2832

Submitted by Minnesota Life Group Insurance

MINNESOTA LIFE

A Securian Company

June 30, 2010

MINNESOTA LIFE

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

RE: EMPLOYEE LIFE INSURANCE PLAN
2009 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2009 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 2009 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

CLAIMS

- In 2009, 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 high but showed improvement over the prior year. (Page 9)

OTHER BENEFITS

- This was the fifteenth 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 2009, a total of 129 retired State employees utilized this option, including 40 new elections in 2009 and 89 continuations of earlier elections. One hundred retired employees used the account to pay health insurance premiums and 29 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 300. On December 31, 2009, over 52,000 active employees, plus over 22,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 6% to over \$9.8 billion. (Pages 5 and 11)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.53%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2009 with funding of future benefits at a strong level. (Page 15)

LOCAL GOVERNMENT PLAN

CLAIMS

- In 2009, the employee plan had its best result ever, driven by very low life claims. (Pages 32, 33, 38 and 39)
- Claims in 2009 on the spouse and dependent plan were lower than in 2008, 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 fourteenth 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 2009. (Pages 40 and 59)

PLAN GROWTH

- The plan continued its steady growth. In 2009, six local government employers entered the plan, and another six participating employers increased the number of coverages they offer to their employees. On December 31, 2009, a total of 701 employers participated.
- The total number of insured active employees increased by over 300. On December 31, 2009, over 78,000 active employees, plus over 31,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 5% to over \$10.1 billion. (Pages 31 and 37)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.51%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2009 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:pt

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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 2009 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>1-1-2009 through 12-31-2009</u> | | |
|-------------------------|------------------------------------|---------------------|-------------------|
| | <u>Basic</u> | <u>Supplemental</u> | <u>Additional</u> |
| Under 30 | \$.05 | \$.05 | \$.07 |
| 30-34 | .05 | .05 | .08 |
| 35-39 | .05 | .05 | .08 |
| 40-44 | .07 | .07 | .10 |
| 45-49 | .11 | .11 | .17 |
| 50-54 | .18 | .18 | .27 |
| 55-59 | .28 | .28 | .42 |
| 60-64 | .38 | .38 | .57 |
| 65-69 | .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 2009, 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 2009 were as follows:

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

| <u>Attained Age</u> | <u>01-01-2009 through 12-31-2009</u> |
|-------------------------|--------------------------------------|
| Under 30 | .05 |
| 30-34 | .06 |
| 35-39 | .07 |
| 40-44 | .09 |
| 45-49 | .15 |
| 50-54 | .27 |
| 55-59 | .44 |
| 60-64 | .53 |
| 65-69 | .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 2009, 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, 2009:

| | State Plan | Local Government Employers Plan |
|---|----------------|---------------------------------------|
| 1. Assets | | |
| a. Premium Deposit Fund | \$ 349,424,958 | \$ 150,285,432 |
| b. Contingent Liability Reserve | 0 | 73,364,357 |
| c. Total | \$ 349,424,958 | \$ 223,649,789 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 182,817,638 | \$ 103,529,970 |
| b. Pre-Age 65 Retirees | 40,275,309 | 27,113,242 |
| c. Active Employees | 201,651,448 | 127,935,545 |
| d. Total | \$ 424,744,395 | \$ 258,578,757 |
| 3. Unfunded Accrued Liability (2d - 1c) | \$ 75,319,437 | \$ 34,928,968 |
| 4. Total Assets as a Percent of Total Liabilities (1c / 2d) | 82.3% | 86.5% |

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 2009.

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 2009, the fifty-second year of the plan.

A. Employee Coverage

| | <u>12-31-2008</u> | <u>12-31-2009</u> |
|---|-------------------|-------------------|
| 1. Employees Insured for Pre-Retirement Insurance | | |
| Basic Plan | 52,257 | 52,614 |
| Supplemental Plan | 37,811 | 38,046 |
| Additional Plan | 24,784 | 25,281 |
| 2. Pre-Retirement Life and AD&D Insurance | | |
| Basic Plan | \$ 2,743,913,000 | \$ 2,918,232,000 |
| Supplemental Plan | 2,025,317,000 | 2,152,904,000 |
| Additional Plan | 2,758,288,000 | 3,027,825,000 |

B. Spouse and Dependent Coverage

| | | |
|--|----------------|----------------|
| 1. Employees Insured | 24,796 | 25,145 |
| 2. Estimated Spouse and Dependent Life Insurance | \$ 594,715,000 | \$ 605,205,000 |

*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 | \$ 5,408,899 | |
| Supplemental Plan | 4,023,958 | |
| Additional Plan | 6,931,673 | |
| Spouse and Dependent Plan | <u>1,052,748</u> | \$ 17,417,278 |

State Contributions

| | | |
|-------------------|------------------|---------------------|
| Basic Plan | \$ 1,893,115 | |
| Supplemental Plan | <u>1,408,385</u> | <u>\$ 3,301,500</u> |

Total Premium \$ 20,718,778

D. Employee Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|----------------|-----------------------|------------------------------|----------------------------|------------------|
| Life | \$ 4,098,470 | \$ 2,991,817 | \$ 3,918,427 | \$ 11,008,714 |
| AD&D | 279,097 | 146,822 | 508,895 | 934,814 |
| Living Benefit | 148,000 | 58,000 | 58,000 | 264,000 |
| Disability | <u>395,200</u> | <u>338,078</u> | <u>963,475</u> | <u>1,696,753</u> |
| Total | \$ 4,920,767 | \$ 3,534,717 | \$ 5,448,797 | \$ 13,904,281 |

E. Spouse and Dependent Claims

| | <u>Spouse</u> | <u>Dependent</u> | |
|----------------|---------------|------------------|--------------|
| Life | \$ 1,045,435 | \$ 70,501 | \$ 1,115,936 |
| Living Benefit | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 1,045,435 | \$ 70,501 | \$ 1,115,936 |

STATE OF WISCONSIN

F. Financial Experience - Active Employee Insurance

1. Premium

| | | |
|------------------------|------------------|-------------------|
| Employee Contributions | \$ 16,364,530 | |
| Employer Contributions | <u>3,301,500</u> | |
| Total Premium | | \$ 19,666,030 |

2. Claim Charges

| | | |
|--------------------------------------|---------------|-------------------|
| Death Claims | \$ 11,008,714 | |
| AD&D Claims | 934,814 | |
| Living Benefit Claims | 264,000 | |
| Increase in Disability Claim Reserve | 1,696,753 | |
| Pooled Claims | 0 | |
| Pool Charge | 415,524 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 14,319,805 |

3. Expense Charges

| | | |
|---------------------------|---------------|----------------|
| Minnesota Life Expenses | \$ 684,771 | |
| Reinsurance Expense | 3,109 | |
| Risk Charge | <u>45,156</u> | |
| Total Expense Charges | | \$ 733,036 |

4. Tax Charges

| | | |
|-----------------------|---------------|----------------|
| State Premium Tax | \$ 393,321 | |
| Federal Income Tax | <u>59,908</u> | |
| Total Tax Charges | | \$ 453,229 |

5. Interest Credits/Charges

| | | |
|---|-----------------|------------------|
| On Premium | \$ 321,079 | |
| On Disability Claim Reserve | 1,245,596 | |
| On Claims Paid | (151,082) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(26,738)</u> | |
| Total Interest Credits/Charges | | \$ 1,388,855 |

6. State Internal Administration Expense \$ 180,736

7. Actuarial Service Charge \$ 0

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 5,368,079

STATE OF WISCONSIN

G. Reserve Summary

1. Premium Deposit Fund

| | | |
|---------------------------|----|-----------|
| Balance on 12-31-2008 | \$ | 8,514,260 |
| Interest Credit | | 467,468 |
| Withdrawals on 12-31-2009 | | <u>0</u> |
| Balance on 12-31-2009 | \$ | 8,981,728 |

2. Stabilization Reserve

| | | |
|----------------------------|----|------------|
| Balance on 12-31-2008 | \$ | 6,199,293 |
| Interest Credit | | 315,544 |
| Contribution on 12-31-2009 | | 5,368,079 |
| Withdrawals on 12-31-2009 | | <u>0</u> |
| Balance on 12-31-2009 | \$ | 11,882,916 |

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2009 5.32%

H. Stop-Loss Calculation for Active Employee Insurance

| | | |
|--------------------------|----|------------------|
| Stop-Loss Limit | \$ | 26,359,432 |
| Claim Charges | \$ | 14,424,939 |
| Expense Charges | | <u>1,126,357</u> |
| Total Charges | \$ | 15,551,296 |
| Catastrophic Loss Credit | \$ | 0 |

STATE OF WISCONSIN

I. Financial Experience - Spouse and Dependent Insurance

| | | |
|--|----------------|---------------|
| 1. Premium | | \$ 1,052,748 |
| 2. Claim Charges | | |
| Death Claims | \$ 1,115,936 | |
| Living Benefit Claims | 0 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 1,115,936 |
| 3. Expense Charges | | |
| Minnesota Life Expenses | \$ 24,213 | |
| Risk Charge | <u>2,105</u> | |
| Total Expense Charges | | \$ 26,318 |
| 4. Tax Charges | | |
| State Premium Tax | \$ 21,055 | |
| Federal Income Tax | <u>(430)</u> | |
| Total Tax Charges | | \$ 20,625 |
| 5. Interest Credits/Charges | | |
| On Premium | \$ 17,221 | |
| On Claims Paid | (12,474) | |
| On Expense Charges & Conversion Charge | <u>(1,364)</u> | |
| Total Interest Credits/Charges | | \$ 3,383 |
| 6. State Internal Administration Expense | | \$ 43,980 |
| 7. Actuarial Service Charge | | \$ 0 |
| 8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] | | \$ (150,728) |
| 9. Stabilization Reserve | | |
| Stabilization Reserve on 12-31-2008 | | \$ 413,515 |
| Addition to Reserve on 12-31-2009 | | (150,728) |
| Interest on Stabilization Reserve in 2009 | | <u>26,401</u> |
| Stabilization Reserve on 12-31-2009 | | \$ 289,188 |

J. Stop-Loss Calculation for Spouse and Dependent Insurance

| | | |
|--------------------------|--|---------------|
| Stop-Loss Limit | | \$ 1,368,572 |
| Claim Charges | | 1,115,688 |
| Expense Charges | | <u>47,373</u> |
| Total Charges | | \$ 1,163,061 |
| Catastrophic Loss Credit | | \$ 0 |

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STATE OF WISCONSIN

III. State of Wisconsin Plan - Retirees*

Report on operations for 2009, the fifty-second year of the plan.

A. Retiree Coverage

| | <u>12-31-2008</u> | <u>12-31-2009</u> |
|---|-------------------|-------------------|
| 1. Retirees Insured for Pre-Age 65 Insurance | | |
| Basic Plan | 6,411 | 6,431 |
| Supplemental Plan | 4,435 | 4,421 |
| Additional Plan | 1,660 | 1,678 |
| 2. Pre-Age 65 Life and AD&D Insurance | | |
| Basic Plan | \$ 358,045,000 | \$ 370,489,000 |
| Supplemental Plan | 242,508,000 | 248,863,000 |
| Additional Plan | 139,546,000 | 148,145,000 |
| 3. Retirees Insured for Post-Age 65 Insurance | | |
| | 15,431 | 16,034 |
| 4. Post-Age 65 Life Insurance | | |
| | \$ 348,802,000 | \$ 371,714,750 |

*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 | \$ 1,665,490 | |
| Supplemental Plan | 1,173,701 | |
| Additional Plan | <u>477,282</u> | |
| | | \$ 3,316,473 |
| State Contributions to Premium Deposit Fund | | \$ 1,514,440 |
| Total Premium | | \$ 4,830,913 |

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 | \$ 1,012,084 | \$ 804,326 | \$ 741,919 | \$ 2,558,329 |
| AD&D | 124,542 | 92,275 | 0 | 216,817 |
| Living Benefit | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 1,136,626 | \$ 896,601 | \$ 741,919 | \$ 2,775,146 |
| 2. Post-Age 65 Life Insurance | | | | |
| Life | \$ 9,299,657 | | | \$ 9,299,657 |
| Living Benefit | <u>50,250</u> | | | <u>50,250</u> |
| Total | \$ 9,349,907 | | | \$ 9,349,907 |

STATE OF WISCONSIN

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

| | | |
|--------------------------|---------------------|--------------|
| Pre-Age 65 Contributions | \$ <u>3,316,473</u> | |
| Total Premium | | \$ 3,316,473 |

2. Claim Charges

| | | |
|--------------------------|--------------|--------------|
| Death Claims | \$ 2,558,329 | |
| AD&D Claims | 216,817 | |
| Living Benefit Claims | 0 | |
| Pooled Claims | 0 | |
| Pool Charge | 36,768 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 2,811,914 |

3. Expense Charges

| | | |
|-------------------------|--------------|------------|
| Minnesota Life Expenses | \$ 168,212 | |
| Reinsurance Expense | 764 | |
| Risk Charge | <u>9,315</u> | |
| Total Expense Charges | | \$ 178,291 |

4. Tax Charges

| | | |
|--------------------|---------------|-----------|
| State Premium Tax | \$ 66,329 | |
| Federal Income Tax | <u>11,673</u> | |
| Total Tax Charges | | \$ 78,002 |

5. Interest Credits/Charges

| | | |
|---|----------------|-----------|
| On Premium | \$ 54,081 | |
| On Claims Paid | (24,610) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(4,948)</u> | |
| Total Interest Credits/Charges | | \$ 24,523 |

6. State Internal Administration Expense \$ 36,837

7. Actuarial Service Charge \$ 0

8. Experience Credit [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 235,952

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 12-31-2008 | \$ | 332,961,288 |
| Contributions for Active Employees During 2009 | | 1,514,440 |
| Withdrawal on 12-31-2009 for Pre-Age 65 Retiree Insurance | | 0 |
| Post-Age 65 Death Claims | | (2,741,899) |
| Minnesota Life Expenses on Post-Age 65 Retiree Death Claims | | (43,770) |
| State Premium Tax | | (56,897) |
| Risk Charge | | (2,284) |
| Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums | | (458,842) |
| Interest on Premium Deposit Fund in 2009 | | <u>18,252,922</u> |
| Premium Deposit Fund on 12-31-2009 | \$ | 349,424,958 |

2. Contingent Liability Reserve

| | | |
|--|----|----------------|
| Contingent Liability Reserve on 12-31-2008 | \$ | 6,269,070 |
| Contributions on 12-31-2009 | | 235,952 |
| Post-Age 65 Death Claims | | (6,608,008) |
| Minnesota Life Expenses | | (105,486) |
| State Premium Tax | | (137,122) |
| Risk Charge | | (5,506) |
| Interest on Contingent Liability Reserve in 2009 | | <u>351,100</u> |
| Contingent Liability Reserve on 12-31-2009 | \$ | 0 |

| | | |
|--|--|-------|
| Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2009 | | 5.48% |
|--|--|-------|

STATE OF WISCONSIN

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

| | <u>2008</u> | <u>2009</u> |
|--|--------------------|--------------------|
| 1. Assets | | |
| a. Premium Deposit Fund | \$ 332,961,288 | \$ 349,424,958 |
| b. Contingent Liability Reserve | <u>6,269,070</u> | <u>0</u> |
| c. Total | \$ 339,230,358 | \$ 349,424,958 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 176,504,245 | \$ 182,817,638 |
| b. Pre-Age 65 Retirees | 40,611,169 | 40,275,309 |
| c. Active Employees | <u>197,812,955</u> | <u>201,651,448</u> |
| d. Total | \$ 414,928,369 | \$ 424,744,395 |
| 3. Unfunded Accrued Liability [2(d) - 1(c)] | \$ 75,698,011 | \$ 75,319,437 |
| 4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)] | 81.8% | 82.3% |

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 | \$ 17,097,787 |
| Claim Charges | \$ 12,071,372 |
| Expense Charges | <u>595,685</u> |
| Total Charges | \$ 12,667,057 |
| Catastrophic Loss Credit | \$ 0 |

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STATE OF WISCONSIN

IV. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2009

| | | |
|--|-------------------|------------------|
| Employee Contributions | | \$ 31,258,422 |
| State Contributions | | |
| Basic Plan | \$ 3,649,333 | |
| Supplemental Plan | <u>2,720,316</u> | |
| | | <u>6,369,649</u> |
| Total Premium | | \$ 37,628,071 |
| Reserve Brought Forward on January 1, 2008 | | \$ 8,057,225 |
| Death Claims | \$ 19,504,150 | |
| AD&D Claims | 1,882,321 | |
| Living Benefit Claims | 589,000 | |
| Increase in Disability Claim Reserve | 3,530,608 | |
| Pooled Claims | 0 | |
| Pool Charge | 769,198 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 26,275,277 |
| Premium Deposit Fund on 12-31-2009 | \$ 8,981,728 | |
| Stabilization Reserve on 12-31-2009 | <u>11,882,916</u> | |
| Total | | \$ 20,864,644 |
| Payments to State | | |
| State Premium Tax | \$ 752,562 | |
| State Internal Administration Expense | 307,160 | |
| Actuarial Service Charge | 0 | |
| Audit/Consultant Service Charge | 0 | |
| Legal Expense | <u>0</u> | |
| Total | | \$ 1,059,722 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2009 | | \$ 2,514,347 |
| Minnesota Life Expenses | \$ 1,313,367 | |
| Reinsurance Expense | 5,954 | |
| Risk Charge | 94,117 | |
| Federal Income Tax Charge | <u>110,148</u> | |
| Total | \$ 1,523,586 | |
| Interest Credited to Plan | <u>4,037,933</u> | |
| Interest Credited to Plan Less Cost | | \$ 2,514,347 |

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> | |
| 2009 | 8,098,961,000 | \$16,364,530 | \$1,893,115 | \$1,408,385 | \$19,666,030 |
| 2008 | 7,527,518,000 | <u>14,893,892</u> | <u>1,756,218</u> | <u>1,311,931</u> | <u>17,962,041</u> |
| Totals | | \$31,258,422 | \$3,649,333 | \$2,720,316 | \$37,628,071 |

Claims

| <u>Year</u> | <u>Death Losses</u> | | | | | |
|-------------|---------------------|-----------------|------------------|----------------------------|------------------------------|-------------------------|
| | <u>Life</u> | <u>AD&D</u> | <u>Total</u> | <u>Living Benefits</u> | <u>Disability Losses</u> | <u>Total Claims</u> |
| 2009 | \$11,008,714 | \$934,814 | \$11,943,528 | \$264,000 | \$1,696,753 | \$13,904,281 |
| 2008 | <u>8,495,436</u> | <u>947,507</u> | <u>9,442,943</u> | <u>325,000</u> | <u>1,833,855</u> | <u>11,601,798</u> |
| Totals | \$19,504,150 | \$1,882,321 | \$21,386,471 | \$589,000 | \$3,530,608 | \$25,506,079 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2009 | \$13,904,281 | \$0 | \$0 | \$415,524 | \$14,319,805 |
| 2008 | <u>11,601,798</u> | <u>0</u> | <u>0</u> | <u>353,674</u> | <u>11,955,472</u> |
| Totals | \$25,506,079 | \$0 | \$0 | \$769,198 | \$26,275,277 |

STATE OF WISCONSIN

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

| Year | Overhead Cost | | | | | | State Internal Administration Expense | Interest Credits/ Charges |
|--------|---------------------------------|------------------------|----------------|-------------------------|--------------------------|------------------|---|---------------------------------|
| | Insurance Company Expense | Reinsurance Expense | Risk Charge | State Premium Tax | Federal Income Tax | Total | | |
| 2009 | \$684,771 | \$3,109 | \$45,156 | \$393,321 | \$59,908 | \$1,186,264 | \$180,736 | \$143,259 |
| 2008 | <u>628,596</u> | <u>2,845</u> | <u>48,961</u> | <u>359,241</u> | <u>50,240</u> | <u>1,089,883</u> | <u>126,424</u> | <u>224,462</u> |
| Totals | \$1,313,367 | \$5,954 | \$94,117 | \$752,562 | \$110,148 | \$2,276,147 | \$307,160 | \$367,721 |

| Year | Reserves | | | |
|------|-----------------------|--------------------------|----------------------------|--------------|
| | Disability Reserve | Stabilization Reserve | Premium Deposit Fund | Total |
| 2009 | \$24,488,691 | \$11,882,916 | \$8,981,728 | \$45,353,335 |
| 2008 | 22,791,938 | 6,199,293 | 8,514,260 | 37,505,491 |

| Year | Interest Credits on Reserves | | | |
|--------|------------------------------|--------------------------|----------------------------|------------------|
| | Disability Reserve | Stabilization Reserve | Premium Deposit Fund | Total |
| 2009 | \$1,245,596 | \$315,544 | \$467,468 | \$2,028,608 |
| 2008 | <u>1,184,569</u> | <u>0</u> | <u>457,035</u> | <u>1,641,604</u> |
| Totals | \$2,430,165 | \$315,544 | \$924,503 | \$3,670,212 |

STATE OF WISCONSIN

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1981 through 2009

| | | |
|--|------------------|---------------|
| Employee Contribution | | \$ 24,083,051 |
| Death Claims | \$ 23,192,030 | |
| Living Benefit Claims | 50,000 | |
| Conversion Charge | 198,615 | |
| Catastrophic Loss Credit | <u>(313,347)</u> | |
| Total Claim Charges | | \$ 23,127,298 |
| Stabilization Reserve on 12-31-2009 | | \$ 289,188 |
| Payments to State | | |
| State Premium Tax | \$ 481,663 | |
| State Internal Administration Expense | 955,829 | |
| Audit/Consultant Service Charge | <u>15,094</u> | |
| Total | | \$ 1,452,586 |
| Payment from Stabilization Reserve for Premiums | | \$ 35,399 |
| Excess of Disbursement and Reserves over Premium | | \$ 821,420 |
| Minnesota Life Expenses | \$ 435,073 | |
| Risk Charge | 41,196 | |
| Federal Income Tax Charge | <u>58,452</u> | |
| Total | \$ 534,721 | |
| Interest Credited to Plan | <u>1,356,141</u> | |
| Interest Credited to Plan Less Cost | | \$ 821,420 |

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> |
|-------------|-------------------------------|---------------------|------------------------|-------------------------|----------------------------|
| 2009 | \$1,052,748 | \$1,115,936 | \$0 | \$0 | \$1,115,936 |
| 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 |
| 1981- 1999 | <u>13,114,002</u> | <u>12,266,100</u> | <u>30,000</u> | <u>187,395</u> | <u>12,483,495</u> |
| Total | \$24,083,051 | \$23,192,030 | \$50,000 | \$198,615 | \$23,440,645 |

| <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> | | |
| 2009 | \$24,213 | \$2,105 | \$0 | \$21,055 | (\$430) | \$46,943 | \$43,980 | \$0 |
| 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 |
| 1981- 1999 | <u>200,343</u> | <u>19,258</u> | <u>(204,208)</u> | <u>262,281</u> | <u>49,247</u> | <u>326,921</u> | <u>599,854</u> | <u>5,878</u> |
| Total | \$435,073 | \$41,196 | (\$313,347) | \$481,663 | \$58,452 | \$703,037 | \$955,829 | \$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> |
| 2009 | \$605,205,000 | \$289,188 | \$26,401 | \$3,383 |
| 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 |
| 1981- 1999 | <u>547,785,000</u> | <u>507,377</u> | <u>766,121</u> | <u>78,801</u> |
| Total | | | \$1,229,236 | \$126,905 |

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STATE OF WISCONSIN

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2009

| | | |
|--|--------------------|------------------|
| Retiree Contributions | | \$ 6,468,694 |
| State Contributions | | <u>2,919,414</u> |
| Total Premium | | \$ 9,388,108 |
| Reserve Brought Forward on January 1, 2008 | | \$ 329,768,061 |
| Death Claims | \$ 24,488,904 | |
| AD&D Claims | 216,817 | |
| Living Benefit Claims | 69,750 | |
| Pooled Claims | 0 | |
| Pool Charge | 55,980 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 24,831,451 |
| Contingent Liability Reserve on 12-31-2009 | \$ 0 | |
| Premium Deposit Fund on 12-31-2009 | <u>349,424,958</u> | |
| Total | | \$ 349,424,958 |
| Payments to State | | |
| State Premium Tax | \$ 525,818 | |
| State Internal Administration Expense | 36,837 | |
| Actuarial Service Charge | <u>27,305</u> | |
| Total | | \$ 589,960 |
| Withdrawals of Postretirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums | | \$ 938,223 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2009 | | \$ 36,628,423 |
| Minnesota Life Expenses | \$ 616,421 | |
| Reinsurance Expense | 1,486 | |
| Risk Charge | 33,767 | |
| Federal Income Tax Charge | <u>22,384</u> | |
| Total | \$ 674,058 | |
| Interest Credited to Plan | <u>37,302,481</u> | |
| Interest Credited to Plan Less Cost | | \$ 36,628,423 |

STATE OF WISCONSIN

F. Historical Statistics - Retiree Insurance - 2009 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> |
| | 2009 | 767,497,000 | 371,714,750 | \$3,316,473 | \$1,514,440 |
| 2008 | 740,099,000 | 348,802,000 | <u>3,152,221</u> | <u>1,404,974</u> | <u>4,557,195</u> |
| Totals | | | \$6,468,694 | \$2,919,414 | \$9,388,108 |

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> | | | |
| 2009 | \$2,558,329 | \$216,817 | \$9,299,657 | \$12,074,803 | \$0 | \$50,250 | \$12,125,053 |
| 2008 | <u>3,942,991</u> | <u>0</u> | <u>8,687,927</u> | <u>12,630,918</u> | <u>0</u> | <u>19,500</u> | <u>12,650,418</u> |
| Totals | \$6,501,320 | \$216,817 | \$17,987,584 | \$24,705,721 | \$0 | \$69,750 | \$24,775,471 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|---------------------|--------------------------|----------------------|--------------------|----------------------------|
| 2009 | \$12,125,053 | \$0 | \$0 | \$36,768 | \$12,161,821 |
| 2008 | <u>12,650,418</u> | <u>0</u> | <u>0</u> | <u>19,212</u> | <u>12,669,630</u> |
| Totals | \$24,775,471 | \$0 | \$0 | \$55,980 | \$24,831,451 |

STATE OF WISCONSIN

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

| <u>Year</u> | <u>Overhead Cost</u> | | | | | | <u>Actuarial Service Charge</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> | | | |
| 2009 | \$317,468 | \$764 | \$17,105 | \$260,348 | \$11,673 | \$607,358 | \$0 | \$36,837 | \$24,523 |
| 2008 | <u>298,953</u> | <u>722</u> | <u>16,662</u> | <u>265,470</u> | <u>10,711</u> | <u>592,518</u> | <u>27,305</u> | <u>0</u> | <u>15,954</u> |
| Totals | \$616,421 | \$1,486 | \$33,767 | \$525,818 | \$22,384 | \$1,199,876 | \$27,305 | \$36,837 | \$40,477 |

| <u>Year</u> | <u>Reserves</u> | | |
|-------------|-------------------------------------|-----------------------------|---------------|
| | <u>Contingent Liability Reserve</u> | <u>Premium Deposit Fund</u> | <u>Total</u> |
| 2009 | \$0 | \$349,424,958 | \$349,424,958 |
| 2008 | 6,269,070 | 332,961,288 | 339,230,358 |

| <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> | |
| 2009 | \$351,100 | \$18,252,922 | \$18,604,022 | \$458,842 |
| 2008 | <u>772,679</u> | <u>17,885,303</u> | <u>18,657,982</u> | <u>479,381</u> |
| Totals | \$1,123,779 | \$36,138,225 | \$37,262,004 | \$938,223 |

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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

| <u>Year</u> | <u>Insurance In Force at End of Year</u> | | <u>Year</u> | <u>Employee Contributions</u> | <u>State Contributions</u> | | <u>Total Premium</u> |
|-------------|--|------------------------|-------------|-------------------------------|----------------------------|--------------------------|----------------------|
| | <u>Pre-Retirement</u> | <u>Post-Retirement</u> | | | <u>Basic Plan</u> | <u>Supplemental Plan</u> | |
| 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

| <u>Year</u> | <u>Death Losses</u> | | | <u>Total</u> | <u>Living Benefits</u> | <u>Disability Losses</u> | <u>Total Claims</u> |
|-------------|----------------------------|--------------------------------|-----------------------------|--------------------|------------------------|--------------------------|---------------------|
| | <u>Pre-Retirement Life</u> | <u>Pre-Retirement AD&D</u> | <u>Post-Retirement Life</u> | | | | |
| 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 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|---------------------|--------------------------|----------------------|--------------------|----------------------------|
| 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 | 18,934,807 | 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 | \$392,504,575 | \$4,522,251 |

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WISCONSIN LOCAL GOVERNMENTS

V. Wisconsin Local Government Plan - Active Employees*

Report on operations for 2009, the fiftieth year of the plan.

A. Employee Coverage

| | <u>12-31-2008</u> | <u>12-31-2009</u> |
|---|-------------------|-------------------|
| 1. Employees Insured for Pre-Retirement Insurance (1) | | |
| Basic Plan | 77,985 | 78,384 |
| Supplemental Plan | 23,230 | 23,832 |
| Additional Plan | 32,328 | 32,936 |
| 2. Pre-Retirement Life and AD&D Insurance (1) | | |
| Basic Plan | \$ 3,515,220,000 | \$ 3,676,941,000 |
| Supplemental Plan | 1,091,555,000 | 1,165,669,000 |
| Additional Plan | 3,205,026,000 | 3,438,030,000 |

B. Spouse and Dependent Coverage

| | | |
|--|----------------|----------------|
| 1. Employees Insured | 36,905 | 36,940 |
| 2. Estimated Spouse and Dependent Life Insurance | \$ 895,485,000 | \$ 897,225,000 |

*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 | \$ 7,391,213 | |
| Supplemental Plan | 2,333,014 | |
| Additional Plan | 6,551,365 | |
| Spouse and Dependent Plan | <u>1,341,736</u> | |
| | | \$ 17,617,328 |

Employer Contributions to Premium

| | | |
|-------------------|---------------|------------------|
| Basic Plan | \$ 1,278,393 | |
| Supplemental Plan | <u>16,558</u> | |
| | | <u>1,294,951</u> |
| Total Premium | | \$ 18,912,279 |

D. Employee Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|----------------|-----------------------|------------------------------|----------------------------|------------------|
| Life | \$ 4,041,780 | \$ 1,383,880 | \$ 3,405,023 | \$ 8,830,683 |
| AD&D | 169,002 | 6,463 | 62,312 | 237,777 |
| Living Benefit | 0 | 28,000 | 157,000 | 185,000 |
| Disability | <u>296,050</u> | <u>237,705</u> | <u>536,011</u> | <u>1,069,766</u> |
| Total | \$ 4,506,832 | \$ 1,656,048 | \$ 4,160,346 | \$ 10,323,226 |

E. Spouse and Dependent Claims

| | <u>Spouse</u> | <u>Dependent</u> | | |
|----------------|---------------|------------------|--|---------------|
| Life | \$ 1,468,963 | \$ 70,676 | | \$ 1,539,639 |
| Living Benefit | <u>20,000</u> | <u>0</u> | | <u>20,000</u> |
| Total | \$ 1,488,963 | \$ 70,676 | | \$ 1,559,639 |

WISCONSIN LOCAL GOVERNMENTS

F. Financial Experience - Active Employee Insurance

1. Premium

| | | |
|------------------------|------------------|-------------------|
| Employee Contributions | \$ 16,275,592 | |
| Employer Contributions | <u>1,294,951</u> | |
| Total Premium | | \$ 17,570,543 |

2. Claim Charges

| | | |
|--------------------------------------|--------------|-------------------|
| Death Claims | \$ 8,830,683 | |
| AD&D Claims | 237,777 | |
| Living Benefit Claims | 185,000 | |
| Pooled Claims | 0 | |
| Pool Charge | 25,007 | |
| Increase in Disability Claim Reserve | 1,069,766 | |
| Conversion Charge | 25,380 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 10,373,613 |

3. Expense Charges

| | | |
|---------------------------|---------------|------------------|
| Minnesota Life Expenses | \$ 1,255,064 | |
| Reinsurance Expense | 2,849 | |
| Risk Charge | <u>31,721</u> | |
| Total Expense Charges | | \$ 1,289,634 |

4. Tax Charges

| | | |
|-----------------------|---------------|----------------|
| State Premium Tax | \$ 351,411 | |
| Federal Income Tax | <u>50,468</u> | |
| Total Tax Charges | | \$ 401,879 |

5. Interest Credits/Charges

| | | |
|---|-----------------|------------------|
| On Premium | \$ 302,153 | |
| On Disability Claim Reserve | 985,322 | |
| On Claims Paid | (125,330) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(28,873)</u> | |
| Total Interest Credits/Charges | | \$ 1,133,272 |

6. State Internal Administration Expense \$ 180,736

7. Audit/Consultant Charge \$ 2,250

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 6,455,703

The Experience Credit is deposited in the Stabilization Reserve.

WISCONSIN LOCAL GOVERNMENTS

G. Reserve Summary

1. Premium Deposit Fund

| | | |
|---------------------------|----|-----------|
| Balance on 12-31-2008 | \$ | 8,447,660 |
| Interest Credit | | 462,668 |
| Withdrawals on 12-31-2009 | | <u>0</u> |
| Balance on 12-31-2009 | \$ | 8,910,328 |

2. Stabilization Reserve

| | | |
|----------------------------|----|-----------|
| Balance on 12-31-2008 | \$ | 2,772,172 |
| Interest Credit | | 141,104 |
| Contribution on 12-31-2009 | | 6,455,703 |
| Withdrawals on 12-31-2009 | | <u>0</u> |
| Balance on 12-31-2009 | \$ | 9,368,979 |

| | | |
|---|--|-------|
| Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2009 | | 5.38% |
|---|--|-------|

H. Stop-Loss Calculation for Active Employee Insurance

| | | |
|--------------------------|----|------------------|
| Stop-Loss Limit | \$ | 22,485,042 |
| Claim Charges | \$ | 10,669,078 |
| Expense Charges | | <u>1,641,045</u> |
| Total Charges | \$ | 12,310,123 |
| Catastrophic Loss Credit | \$ | 0 |

WISCONSIN LOCAL GOVERNMENTS

I. Financial Experience - Spouse and Dependent Insurance

| | | |
|--|----------------|----------------|
| 1. Premium | | \$ 1,341,736 |
| 2. Claim Charges | | |
| Death Claims | \$ 1,539,639 | |
| Living Benefit Claims | 20,000 | |
| Conversion Charge | <u>8,820</u> | |
| Total Claim Charges | | \$ 1,568,459 |
| 3. Expense Charges | | |
| Minnesota Life Expenses | \$ 71,246 | |
| Risk Charge | <u>2,683</u> | |
| Total Expense Charges | | \$ 73,929 |
| 4. Tax Charges | | |
| State Premium Tax | \$ 26,835 | |
| Federal Income Tax | <u>(1,564)</u> | |
| Total Tax Charges | | \$ 25,271 |
| 5. Interest Credits/Charges | | |
| On Premium | \$ 23,514 | |
| On Claims Paid | (23,842) | |
| On Expense Charges & Conversion Charge | <u>(2,280)</u> | |
| Total Interest Credits/Charges | | \$ (2,608) |
| 6. State Internal Administration Expense | | \$ 43,980 |
| 7. Actuarial Service Charge | | \$ 0 |
| 8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] | | \$ (372,511) |
| 9. Stabilization Reserve | | |
| Stabilization Reserve on 12-31-2008 | | \$ 2,604,808 |
| Addition to Reserve on 12-31-2009 | | (372,511) |
| Interest on Stabilization Reserve in 2009 | | <u>144,205</u> |
| Stabilization Reserve on 12-31-2009 | | \$ 2,376,502 |

J. Stop-Loss Calculation for Spouse and Dependent Insurance

| | | |
|--------------------------|--|----------------|
| Stop-Loss Limit | | \$ 1,945,517 |
| Claim Charges | | 1,545,273 |
| Expense Charges | | <u>100,764</u> |
| Total Charges | | \$ 1,646,037 |
| Catastrophic Loss Credit | | \$ 0 |

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WISCONSIN LOCAL GOVERNMENTS

VI. Wisconsin Local Government Plan - Retirees*

Report on operations for 2009, the fiftieth year of the plan.

A. Retiree Coverage

| | <u>12-31-2008</u> | <u>12-31-2009</u> |
|---|-------------------|-------------------|
| 1. Retirees Insured for Pre-Age 65 Insurance | | |
| Basic Plan | 9,165 | 9,232 |
| Supplemental Plan | 1,214 | 1,296 |
| Additional Plan | 2,102 | 2,178 |
| 2. Pre-Age 65 Life and AD&D Insurance | | |
| Basic Plan | \$ 483,743,000 | \$ 496,685,000 |
| Supplemental Plan | 65,745,000 | 71,358,000 |
| Additional Plan | 164,857,000 | 176,138,000 |
| 3. Retirees Insured for Post-Age 65 Insurance | 20,912 | 21,787 |
| 4. Post-Age 65 Insurance | \$ 230,296,250 | \$ 247,986,000 |

*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 employers toward future post-retirement life insurance for currently active employees.

WISCONSIN LOCAL GOVERNMENTS

B. Premium Summary

Pre-Age 65 Retiree Contributions

| | | |
|-------------------|----------------|--------------|
| Basic Plan | \$ 3,181,834 | |
| Supplemental Plan | 207,318 | |
| Additional Plan | <u>672,729</u> | \$ 4,061,882 |

Employer Contributions to Premium Deposit Fund \$ 1,906,415

Total Premium \$ 5,968,297

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 | \$ 2,138,921 | \$ 430,918 | \$ 1,007,761 | \$ 3,577,600 |
| AD&D | 157,391 | 49,000 | 0 | 206,391 |
| Living Benefit | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 2,296,312 | \$ 479,918 | \$ 1,007,761 | \$ 3,783,991 |
| 2. Post-Age 65 Life Insurance | | | | |
| Life | \$ 5,551,594 | | | \$ 5,551,594 |
| Living Benefit | <u>35,000</u> | | | <u>35,000</u> |
| Total | \$ 5,586,594 | | | \$ 5,586,594 |

WISCONSIN LOCAL GOVERNMENTS

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

| | | |
|--|----------------|--------------|
| Pre-Age 65 Contributions | \$ 4,061,882 | |
| Withdrawal from Premium Deposit Fund on 12-31-2009 | 304,190 | |
| | <u>304,190</u> | |
| Total Premium | | \$ 4,366,072 |

2. Claim Charges

| | | |
|--------------------------|--------------|--------------|
| Death Claims | \$ 3,577,600 | |
| AD&D Claims | 206,391 | |
| Living Benefit Claims | 0 | |
| Pooled Claims | 0 | |
| Pool Charge | 3,678 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | 0 | |
| | <u>0</u> | |
| Total Claim Charges | | \$ 3,787,669 |

3. Expense Charges

| | | |
|-------------------------|--------------|------------|
| Minnesota Life Expenses | \$ 426,315 | |
| Reinsurance Expense | 968 | |
| Risk Charge | 5,967 | |
| | <u>5,967</u> | |
| Total Expense Charges | | \$ 433,250 |

4. Tax Charges

| | | |
|--------------------|---------------|------------|
| State Premium Tax | \$ 87,321 | |
| Federal Income Tax | 19,697 | |
| | <u>19,697</u> | |
| Total Tax Charges | | \$ 107,018 |

5. Interest Credits/Charges

| | | |
|---|----------------|-----------|
| On Premium | \$ 69,277 | |
| On Claims Paid | (48,672) | |
| On Expense Charges, Pool Charge & Conversion Charge | (8,907) | |
| | <u>(8,907)</u> | |
| Total Interest Credits/Charges | | \$ 11,698 |

6. State Internal Administration Expense \$ 49,833

7. Actuarial Service Charge \$ 0

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 12-31-2008 | \$ | 140,921,026 |
| Contributions for Active Employees During 2009 | | 1,906,415 |
| Withdrawals on 12-31-2009 | | (304,190) |
| Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums | | 0 |
| Interest on Premium Deposit Fund in 2009 | | <u>7,762,181</u> |
| Premium Deposit Fund on 12-31-2009 | \$ | 150,285,432 |

2. Contingent Liability Reserve

| | | |
|--|----|------------------|
| Contingent Liability Reserve on 12-31-2008 | \$ | 75,189,487 |
| Contributions on 12-31-2009 | | 0 |
| Post-Age 65 Death Claims | | (5,586,594) |
| Minnesota Life Expenses | | (186,128) |
| State Premium Tax | | (117,836) |
| Risk Charge | | (3,538) |
| Interest on Contingent Liability Reserve in 2009 | | <u>4,068,966</u> |
| Contingent Liability Reserve on 12-31-2009 | \$ | 73,364,357 |

| | |
|--|-------|
| Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2009 | 5.47% |
|--|-------|

WISCONSIN LOCAL GOVERNMENTS

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

| | <u>2008</u> | <u>2009</u> |
|--|--------------------|--------------------|
| 1. Assets | | |
| a. Premium Deposit Fund | \$ 140,921,026 | \$ 150,285,432 |
| b. Contingent Liability Reserve | <u>75,189,487</u> | <u>73,364,357</u> |
| c. Total | \$ 216,110,513 | \$ 223,649,789 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 99,125,628 | \$ 103,529,970 |
| b. Pre-Age 65 Retirees | 29,146,126 | 27,113,242 |
| c. Active Employees | <u>126,971,199</u> | <u>127,935,545</u> |
| d. Total | \$ 255,242,953 | \$ 258,578,757 |
| 3. Unfunded Accrued Liability [2(d) - 1(c)] | \$ 39,132,440 | \$ 34,928,968 |
| 4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)] | 84.7% | 86.5% |

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 57 of this report.

G. Stop-Loss Calculation for Retiree Insurance

| | |
|--------------------------|----------------|
| Stop-Loss Limit | \$ 12,560,173 |
| Claim Charges | \$ 9,333,723 |
| Expense Charges | <u>828,074</u> |
| Total Charges | \$ 10,161,797 |
| Catastrophic Loss Credit | \$ 0 |

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WISCONSIN LOCAL GOVERNMENTS

VII. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2009

| | | |
|--|------------------|------------------|
| Employee Contributions | | \$ 31,820,157 |
| Employer Contributions | | <u>2,427,383</u> |
| Total Premium | | \$ 34,247,540 |
| Reserve Brought Forward on January 1, 2008 | | \$ 7,995,249 |
| Death Claims | \$ 20,152,849 | |
| AD&D Claims | 1,350,606 | |
| Living Benefit Claims | 453,000 | |
| Increase in Disability Claim Reserve | 1,648,122 | |
| Pooled Claims | 0 | |
| Pool Charge | 48,951 | |
| Conversion Charge | 27,480 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 23,681,008 |
| Premium Deposit Fund on 12-31-2009 | \$ 8,910,328 | |
| Stabilization Reserve on 12-31-2008 | <u>9,368,979</u> | |
| Total | | \$ 18,279,306 |
| Payments to State | | |
| State Premium Tax | \$ 684,951 | |
| State Internal Administration Expense | 307,160 | |
| Actuarial Service Charge | 0 | |
| Audit/Consultant Service Charge | 2,250 | |
| Research Survey Cost | <u>0</u> | |
| Total | | \$ 994,361 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008 | | \$ 711,886 |
| Minnesota Life Expenses | \$ 2,426,522 | |
| Reinsurance Expense | 5,536 | |
| Risk Charge | 56,092 | |
| Catastrophic Loss | 0 | |
| Federal Income Tax Charge | <u>102,470</u> | |
| Total | | \$ 2,590,620 |
| Interest Credited to Plan | | <u>3,302,506</u> |
| Interest Credited to Plan Less Cost | | \$ 711,886 |

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> |
| 2009 | \$8,280,640,000 | \$16,275,592 | \$1,294,951 | \$17,570,542 |
| 2008 | 7,811,801,000 | <u>15,544,565</u> | <u>1,132,432</u> | <u>16,676,997</u> |
| Totals | | \$31,820,157 | \$2,427,383 | \$34,247,539 |

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> | | | |
| 2009 | \$8,830,683 | \$237,777 | \$9,068,460 | \$185,000 | \$1,069,766 | \$10,323,226 |
| 2008 | <u>11,322,166</u> | <u>1,112,829</u> | <u>12,434,995</u> | <u>268,000</u> | <u>578,356</u> | <u>13,281,351</u> |
| Totals | \$20,152,849 | \$1,350,606 | \$21,503,455 | \$453,000 | \$1,648,122 | \$23,604,577 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2009 | \$10,323,226 | \$25,380 | \$0 | \$25,007 | \$10,373,613 |
| 2008 | <u>13,281,351</u> | <u>2,100</u> | <u>0</u> | <u>23,944</u> | <u>13,307,395</u> |
| | \$23,604,577 | \$27,480 | \$0 | \$48,951 | \$23,681,008 |

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> | | |
| 2009 | \$1,255,064 | \$2,849 | \$31,721 | \$351,411 | \$50,468 | \$1,691,513 | \$180,736 | \$147,950 |
| 2008 | <u>1,171,458</u> | <u>2,687</u> | <u>24,371</u> | <u>333,540</u> | <u>52,002</u> | <u>1,584,058</u> | <u>126,424</u> | <u>130,121</u> |
| Totals | \$2,426,522 | \$5,536 | \$56,092 | \$684,951 | \$102,470 | \$3,275,571 | \$307,160 | \$278,071 |

| <u>Year</u> | <u>Reserves</u> | | | |
|-------------|---------------------------|------------------------------|-----------------------------|--------------|
| | <u>Disability Reserve</u> | <u>Stabilization Reserve</u> | <u>Premium Deposit Fund</u> | <u>Total</u> |
| 2009 | \$18,799,270 | \$9,368,979 | \$8,910,328 | \$37,078,577 |
| 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> |
| 2009 | \$985,322 | \$141,104 | \$462,668 | \$1,589,094 |
| 2008 | <u>982,931</u> | <u>0</u> | <u>452,411</u> | <u>1,435,342</u> |
| Totals | \$1,968,253 | \$141,104 | \$915,079 | \$3,024,436 |

WISCONSIN LOCAL GOVERNMENTS

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1983 through 2009

| | | |
|--|------------------|---------------|
| Employee Contribution | | \$ 33,015,835 |
| Death Claims | \$ 29,605,419 | |
| Living Benefit Claims | 155,000 | |
| Conversion Charge | <u>267,885</u> | |
| Total Claim Charges | | \$ 30,028,304 |
| Stabilization Reserve on 12-31-2009 | | \$ 2,376,502 |
| Payments to State | | |
| State Premium Tax | \$ 660,318 | |
| State Internal Administration Expense | 900,509 | |
| Audit/Consultant Service Charge | <u>15,094</u> | |
| Total | | \$ 1,575,921 |
| Payment from Stabilization Reserve for Premiums | | \$ 41,392 |
| Excess of Disbursement and Reserves over Premium | | \$ 1,006,284 |
| Minnesota Life Expenses | \$ 1,319,430 | |
| Risk Charge | 60,307 | |
| Federal Income Tax Charge | <u>77,152</u> | |
| Total | \$ 1,456,889 | |
| Interest Credited to Plan | <u>2,463,173</u> | |
| Interest Credited to Plan Less Cost | | \$ 1,006,284 |

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> |
|-------------|-------------------------------|---------------------|------------------------|-------------------------|----------------------------|
| 2009 | \$1,341,736 | \$1,539,639 | \$20,000 | \$8,820 | \$1,568,459 |
| 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 |
| 1983- 1999 | <u>18,511,278</u> | <u>14,751,721</u> | <u>40,000</u> | <u>112,185</u> | <u>14,903,906</u> |
| Total | \$33,015,835 | \$29,605,419 | \$155,000 | \$267,885 | \$30,028,304 |

| <u>Year</u> | <u>Insurance Company</u> | | <u>Overhead Cost</u> | | | <u>State Internal Administration Expense</u> | <u>Audit/ Consultant Charge</u> |
|-------------|--------------------------|--------------------|--------------------------|---------------------------|------------------|--|---------------------------------|
| | <u>Expense</u> | <u>Risk Charge</u> | <u>State Premium Tax</u> | <u>Federal Income Tax</u> | <u>Total</u> | | |
| 2009 | \$71,246 | \$2,683 | \$26,835 | (\$1,564) | \$99,200 | \$43,980 | \$0 |
| 2008 | 71,000 | 2,674 | 26,742 | (2,358) | 98,058 | 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 |
| 1983- 1999 | <u>638,527</u> | <u>31,297</u> | <u>370,227</u> | <u>90,589</u> | <u>1,130,640</u> | <u>544,535</u> | <u>5,878</u> |
| Total | \$1,319,430 | \$60,307 | \$660,318 | \$77,152 | \$2,117,207 | \$900,509 | \$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> |
| 2009 | \$897,225,000 | \$2,376,502 | \$144,205 | (\$2,608) |
| 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 |
| 1983- 1999 | <u>771,135,000</u> | <u>3,184,815</u> | <u>524,511</u> | <u>184,820</u> |
| Total | | | \$2,209,299 | \$253,874 |

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WISCONSIN LOCAL GOVERNMENTS

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2009

| | | | |
|--|----|----|--------------------|
| Retiree Contributions | | \$ | 7,953,520 |
| Employer Contributions | | | <u>3,712,715</u> |
| Total Premium | | \$ | 11,666,235 |
| Reserve Brought Forward on January 1, 2008 | | \$ | 208,679,884 |
| Death Claims | \$ | | 18,175,575 |
| AD&D Claims | | | 379,987 |
| Living Benefit Claims | | | 62,750 |
| Pooled Claims | | | 0 |
| Pool Charge | | | 7,315 |
| Conversion Charge | | | 0 |
| Catastrophic Loss Credit | | | <u>0</u> |
| Total Claim Charges | | \$ | 18,625,627 |
| Contingent Liability Reserve on 12-31-2009 | \$ | | 73,364,357 |
| Premium Deposit Fund on 12-31-2009 | | | <u>150,285,432</u> |
| Total | | \$ | 223,649,789 |
| Payments to State | | | |
| State Premium Tax | \$ | | 406,183 |
| State Internal Administration Expense | | | 49,833 |
| Actuarial Service Charge | | | 27,305 |
| Audit/Consultant Service Charge | | | 0 |
| Research Survey Cost | | | <u>0</u> |
| Total | | \$ | 483,321 |
| 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, 2009 | | \$ | 22,412,618 |
| Minnesota Life Expenses | \$ | | 1,171,095 |
| Reinsurance Expense | | | 1,886 |
| Risk Charge | | | 21,565 |
| Catastrophic Loss | | | 0 |
| Federal Income Tax Charge | | | <u>38,173</u> |
| Total | \$ | | 1,232,719 |
| Interest Credited to Plan | | | <u>23,645,337</u> |
| Interest Credited to Plan Less Cost | | \$ | 22,412,618 |

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> | | | |
| 2009 | 744,181,000 | 247,986,000 | \$4,061,882 | \$1,906,415 | \$5,968,297 |
| 2008 | 714,345,000 | 230,296,250 | <u>3,891,638</u> | <u>1,806,300</u> | <u>5,697,938</u> |
| Totals | | | \$7,953,520 | \$3,712,715 | \$11,666,235 |

Claims

| <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> |
| 2009 | \$3,577,600 | \$206,391 | \$5,551,594 | \$9,335,585 | \$0 | 35,000 | \$9,370,585 |
| 2008 | <u>4,607,218</u> | <u>173,596</u> | <u>4,439,163</u> | <u>9,219,977</u> | <u>0</u> | <u>27,750</u> | <u>9,247,727</u> |
| Totals | \$8,184,818 | \$379,987 | \$9,990,757 | \$18,555,562 | \$0 | \$62,750 | \$18,618,312 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2009 | \$9,370,585 | \$0 | \$0 | \$3,678 | \$9,374,263 |
| 2008 | <u>9,247,727</u> | <u>0</u> | <u>0</u> | <u>3,637</u> | <u>9,251,364</u> |
| Totals | \$18,618,312 | \$0 | \$0 | \$7,315 | \$18,625,627 |

WISCONSIN LOCAL GOVERNMENTS

F. Historical Statistics - Retiree Insurance - 2009 and Later (cont'd)

| Year | Overhead Cost | | | | | | Actuarial Service Charge | Interest Credits/Charges |
|--------|---------------------------|---------------------|---------------|-------------------|--------------------|----------------|--------------------------|--------------------------|
| | Insurance Company Expense | Reinsurance Expense | Risk Charge | State Premium Tax | Federal Income Tax | Total | | |
| 2009 | \$612,443 | \$968 | \$9,505 | \$205,157 | \$19,697 | \$847,770 | \$0 | \$11,698 |
| 2008 | <u>558,652</u> | <u>918</u> | <u>12,060</u> | <u>201,026</u> | <u>18,476</u> | <u>791,132</u> | <u>27,305</u> | <u>16,703</u> |
| Totals | \$1,171,095 | \$1,886 | \$21,565 | \$406,183 | \$38,173 | \$1,638,902 | \$27,305 | \$28,401 |

| Year | Reserves | | |
|------|------------------------------|----------------------|--------------------|
| | Contingent Liability Reserve | Premium Deposit Fund | Total |
| 2009 | \$73,364,357 | \$150,285,432 | \$223,649,789 |
| 2008 | <u>75,189,487</u> | <u>140,921,026</u> | <u>216,110,513</u> |

| Year | Interest Credits on Reserves | | | Withdrawals to Pay Health and LTC Premiums |
|--------|------------------------------|----------------------|-------------------|--|
| | Contingent Liability Reserve | Premium Deposit Fund | Total | |
| 2009 | \$4,068,966 | \$7,762,181 | \$11,831,147 | \$0 |
| 2008 | <u>4,229,674</u> | <u>7,556,115</u> | <u>11,785,789</u> | <u>0</u> |
| Totals | \$8,298,640 | \$15,318,296 | \$23,616,936 | \$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 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 | Withdrawals to Pay Health Premiums |
|------|--------------------|------------------------------|----------------------|--|---------------|------------------------------------|
| | 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 | | | | Total | Withdrawals to Pay Health Premiums |
|------------|------------------------------|------------------------------|----------------------|--|--------------------|------------------------------------|
| | Disability Reserve | Contingent Liability Reserve | Premium Deposit Fund | | | |
| 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 2007 through 2009. Annual accidental death rates of .13 deaths per thousand for State employees and .12 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 2007 through 2009.

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 2009, the fifteenth year of the benefit

| | <u>State Retirees</u> | <u>Local Retirees</u> |
|--|-----------------------|-----------------------|
| A. Number of Retirees Utilizing Benefit | | |
| 1. Utilization on December 31, 2008 | 89 | 3 |
| 2. Conversions Effective in 2009 | 40 | 0 |
| 3. Terminations During 2009 | | |
| a. Exhaustion of Conversion Account Balance | 34 | 0 |
| b. Death | 1 | 0 |
| c. Revocation of Conversion | 0 | 0 |
| d. Reversion to Life Insurance Plan Reserve | <u>0</u> | <u>0</u> |
| e. Total Terminations (a+b+c+d) | 35 | 0 |
| 4. Adjustments | 0 | 0 |
| 5. Utilization on December 31, 2009 (1+2-3e+4) | 94 | 3 |
| B. Conversion Account Activity | | |
| 1. Conversion Account Balances on December 31, 2008 | \$ 511,585.38 | \$ 20,742.20 |
| 2. Conversion Account Balances Established in 2009 | \$ 458,841.75 | \$ 0.00 |
| 3. Payments From Conversion Accounts During 2009 | | |
| a. Health Insurance Premiums | \$ 378,483.59 | \$ 4,054.80 |
| b. Long-term Care Insurance Premiums | 50,890.94 | 0.00 |
| c. Death Benefits | 4,218.92 | 0.00 |
| d. Revocation of Conversion | 0.00 | 0.00 |
| e. Reversion to Life Insurance Plan Reserve | 0.00 | 0.00 |
| f. Adjustments | 13.60 | 0.00 |
| g. Total Payments (a+b+c+d+e+f) | <u>\$ 433,607.05</u> | <u>\$ 4,054.80</u> |
| 4. Conversion Account Balances on December 31, 2009 (1+2-3g) | \$ 536,820.08 | \$ 16,687.40 |

STATE OF WISCONSIN
AND WISCONSIN LOCAL GOVERNMENTS

| | <u>State Retirees</u> | <u>Local Retirees</u> |
|---|-----------------------|-----------------------|
| C. Cumulative Number of Retirees Utilizing Benefit - 1995 through 2009 | | |
| 1. Conversions | 513 | 8 |
| 2. Terminations | | |
| a. Exhaustion of Conversion Account Balance | 383 | 6 |
| b. Death | 29 | 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) | 419 | 6 |
| 3. Adjustments | 0 | 1 |
| 4. Utilization on December 31, 2009 (1-2e+3) | 94 | 3 |
| D. Cumulative Conversion Account Activity - 1995 through 2009 | | |
| 1. Conversion Account Balances Established | \$ 5,465,771.00 | \$ 56,310.00 |
| 2. Payments From Conversion Accounts | | |
| a. Health Insurance Premiums | \$ 3,982,280.78 | \$ 39,616.10 |
| b. Long-term Care Insurance Premiums | 758,972.03 | 0.00 |
| c. Death Benefits | 135,367.65 | 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>3,604.43</u> | <u>6.50</u> |
| g. Total Payments (a+b+c+d+e+f) | \$ 4,928,950.92 | \$ 39,622.60 |
| 3. Conversion Account Balances on December 31, 2009 (1-2g) | \$ 536,820.08 | \$ 16,687.40 |

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 24, 2010

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| Premium Rates for the State Employee Group Life Insurance Plan | 1 |
| Stop-Loss Limits for the State Employee Group Life Insurance Plan | 4 |
| Benefits and Premiums for Insured Spouses and Dependents of State Employees | 7 |

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 2009 were the best ever experienced on the plan, and considerably better than the targeted level. The 2009 result was slightly better than the 2008 result, which was the plan's best year ever prior to 2009. These two years of results are considerably improved over results during 2005 through 2007, which together were equal to the targeted level.

The excellent 2008 and 2009 results mean the claims during the most recent three-year period are considerably better than the targeted level. However, the recent result is so dramatically different from other recent years' experience that it appears, to some extent, to reflect a fluctuation, rather than a fundamental improvement, in claim rates. We believe it is prudent to assign less than full credibility to 2008 and 2009 results in setting rates for 2011. This will allow meaningful rate reductions in 2011 and the opportunity to monitor results through the end of 2010 to determine if additional rate reductions are warranted.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee premium contribution rates be reduced in 2011 for basic, supplemental, and additional insurance.

1. Reduce employee premium rates for basic and supplemental insurance at all ages through 69.

Basic and Supplemental 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 | \$.04 | 20% |
| 30-34 | .05 | .04 | 20 |
| 35-39 | .05 | .04 | 20 |
| 40-44 | .07 | .06 | 14 |
| 45-49 | .11 | .10 | 9 |
| 50-54 | .18 | .16 | 11 |
| 55-59 | .28 | .25 | 11 |
| 60-64 | .38 | .33 | 13 |
| 65-69 | .50 | .44 | 12 |

2. Reduce employee premium rates for additional insurance at all ages through 69.

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 | \$.07 | \$.06 | 14% |
| 30-34 | .08 | .07 | 13 |
| 35-39 | .08 | .07 | 13 |
| 40-44 | .10 | .09 | 10 |
| 45-49 | .17 | .15 | 12 |
| 50-54 | .27 | .24 | 11 |
| 55-59 | .42 | .37 | 12 |
| 60-64 | .57 | .50 | 12 |
| 65-69 | .75 | .66 | 12 |

Implementation

Consistent with the Department of Employee Trust Funds' administrative practice, we recommend that the premium rate changes outlined in this report be effective on April 1, 2011.

Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2009. Overall, premiums decrease by 12.0%.

| | <u>Current Rates</u> | <u>Proposed Rates</u> | <u>Reduction</u> | <u>% Reduction</u> |
|----------------------|----------------------|-----------------------|-------------------|------------------------|
| Employees | | | | |
| Basic & Supplemental | \$12,729,952 | \$11,179,140 | \$1,550,812 | 12.2% |
| Additional | <u>8,350,426</u> | <u>7,368,493</u> | <u>981,933</u> | <u>11.8%</u> |
| Employees Total | \$21,080,378 | \$18,547,633 | \$2,532,745 | 12.0% |
| State | <u>\$ 5,182,614</u> | <u>\$ 4,556,027</u> | <u>\$ 626,587</u> | <u>12.1%</u> |
| Total | \$26,262,992 | \$23,103,660 | \$3,159,332 | 12.0% |

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 2007 through 2009 were lower than the experience on which the current rates are based.

Recommendation

Consistent with the recommended employee premium contribution rates at active ages and the anticipated mortality rates at retiree ages for 2011, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2011. 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 10.5% for active employees and will increase the stop loss limit by 6.3% for retirees.

Cost Implications

Decreasing the stop-loss rates has no impact on employee cost or on the annual State premium contribution. However, decreasing the stop-loss rates decreases 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 | \$.08 | \$.07 | 59 | \$.46 | \$.58 |
| 18 | .08 | .07 | 60 | .49 | .63 |
| 19 | .08 | .07 | 61 | .53 | .69 |
| 20 | .08 | .07 | 62 | .57 | .76 |
| 21 | .08 | .07 | 63 | .65 | .85 |
| 22 | .08 | .07 | 64 | .74 | .94 |
| 23 | .08 | .07 | 65 | .87 | 1.05 |
| 24 | .08 | .07 | 66 | 1.01 | 1.20 |
| 25 | .08 | .07 | 67 | 1.22 | 1.36 |
| 26 | .08 | .07 | 68 | 1.47 | 1.54 |
| 27 | .08 | .07 | 69 | 1.79 | 1.74 |
| 28 | .08 | .07 | 70 | 2.00 | 1.95 |
| 29 | .08 | .07 | 71 | 2.28 | 2.15 |
| 30 | .08 | .07 | 72 | 2.56 | 2.38 |
| 31 | .08 | .07 | 73 | 2.88 | 2.60 |
| 32 | .09 | .07 | 74 | 3.21 | 2.82 |
| 33 | .10 | .07 | 75 | 3.46 | 3.07 |
| 34 | .10 | .07 | 76 | 3.74 | 3.39 |
| 35 | .10 | .07 | 77 | 4.10 | 3.79 |
| 36 | .11 | .07 | 78 | 4.41 | 4.27 |
| 37 | .12 | .07 | 79 | 4.77 | 4.85 |
| 38 | .12 | .07 | 80 | 5.22 | 5.48 |
| 39 | .13 | .07 | 81 | 5.82 | 6.08 |
| 40 | .13 | .08 | 82 | 6.62 | 6.76 |
| 41 | .16 | .09 | 83 | 7.77 | 7.52 |
| 42 | .17 | .09 | 84 | 8.70 | 8.29 |
| 43 | .19 | .10 | 85 | 9.46 | 9.06 |
| 44 | .21 | .11 | 86 | 10.26 | 9.83 |
| 45 | .24 | .13 | 87 | 11.19 | 10.76 |
| 46 | .27 | .14 | 88 | 11.76 | 11.75 |
| 47 | .30 | .15 | 89 | 12.58 | 12.66 |
| 48 | .31 | .16 | 90 | 13.45 | 13.66 |
| 49 | .32 | .18 | 91 | 14.32 | 14.77 |
| 50 | .34 | .21 | 92 | 15.20 | 16.15 |
| 51 | .35 | .23 | 93 | 16.07 | 18.00 |
| 52 | .37 | .26 | 94 | 16.96 | 20.65 |
| 53 | .37 | .30 | 95 | 17.89 | 23.99 |
| 54 | .37 | .33 | 96 | 19.66 | 29.28 |
| 55 | .39 | .37 | 97 | 21.64 | 41.15 |
| 56 | .40 | .42 | 98 | 51.18 | 59.36 |
| 57 | .41 | .47 | 99 | 81.59 | 83.33 |
| 58 | .44 | .52 | 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 | \$.20 | \$.11 | 73 | \$ 2.47 | \$ 2.23 |
| 46 | .23 | .12 | 74 | 2.76 | 2.41 |
| 47 | .26 | .13 | 75 | 2.97 | 2.63 |
| 48 | .27 | .14 | 76 | 3.21 | 2.91 |
| 49 | .28 | .16 | 77 | 3.51 | 3.25 |
| 50 | .29 | .18 | 78 | 3.78 | 3.66 |
| 51 | .30 | .20 | 79 | 4.09 | 4.16 |
| 52 | .32 | .22 | 80 | 4.47 | 4.70 |
| 53 | .32 | .25 | 81 | 4.99 | 5.21 |
| 54 | .32 | .29 | 82 | 5.67 | 5.80 |
| 55 | .34 | .32 | 83 | 6.66 | 6.45 |
| 56 | .35 | .36 | 84 | 7.46 | 7.11 |
| 57 | .36 | .40 | 85 | 8.11 | 7.76 |
| 58 | .37 | .45 | 86 | 8.79 | 8.43 |
| 59 | .39 | .50 | 87 | 9.59 | 9.22 |
| 60 | .42 | .54 | 88 | 10.08 | 10.07 |
| 61 | .45 | .59 | 89 | 10.78 | 10.85 |
| 62 | .49 | .65 | 90 | 11.53 | 11.71 |
| 63 | .56 | .72 | 91 | 12.28 | 12.66 |
| 64 | .63 | .81 | 92 | 13.03 | 13.85 |
| 65 | .75 | .90 | 93 | 13.78 | 15.43 |
| 66 | .86 | 1.03 | 94 | 14.53 | 17.70 |
| 67 | 1.05 | 1.17 | 95 | 15.33 | 20.56 |
| 68 | 1.26 | 1.32 | 96 | 16.85 | 25.10 |
| 69 | 1.54 | 1.49 | 97 | 18.55 | 35.27 |
| 70 | 1.72 | 1.67 | 98 | 43.87 | 50.88 |
| 71 | 1.96 | 1.85 | 99 | 69.94 | 72.08 |
| 72 | 2.20 | 2.04 | 100 and Over | 80.00 | 83.33 |

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND
DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

After several years of very good claims experience led to substantial growth of the plan's stabilization reserve, the monthly premium paid by State employees for each unit of spouse and dependent insurance was reduced to \$2.00 from \$2.50 on March 1, 2004. (The stabilization reserve is maintained to provide financial stability as claims fluctuate from year to year.) 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 several years.

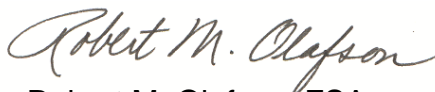
Based on recent experience and the decreasing size of the stabilization reserve balance, premium rates were increased to \$2.50 effective July 1, 2010, with the goals of covering anticipated claim costs and strengthening the stabilization reserve.

2009 claim results were consistent with those observed during recent years.

Recommendation

Based on our analysis of recent experience and because of the recent premium rate increase, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2011.

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 24, 2010

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 |

- Prior to July 1, 2010, monthly premium was \$2.00 per unit of coverage. Effective July 1, 2010, monthly premium is \$2.50 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

REPORT TO THE GROUP INSURANCE BOARD
OF THE STATE OF WISCONSIN

Submitted by

Minnesota Life Insurance Company

August 24, 2010

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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, 2010, 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 2009 were the best ever experienced on the plan and considerably better than the targeted level. These results were also considerably improved over results in 2007 and 2008, which together were slightly better than the targeted level. The excellent 2009 result means the claims during the most recent three-year period are considerably better than the targeted level. However, the 2009 result is so dramatically different from other recent years' experience that it appears, to some extent, to reflect a fluctuation, rather than a fundamental improvement, in claim rates. We believe it is prudent to assign less than full credibility to 2009 results in setting rates for 2011. This will allow meaningful rate reductions in 2011 and the opportunity to monitor results through the end of 2010 to determine if additional rate reductions are warranted.

Recommendation

Based on our analysis of recent experience, Minnesota Life recommends that employee premium contribution rates be reduced in 2011 for basic, supplemental, and additional insurance at ages 45 through 64.

| Age | Basic, Supplemental, and Additional Insurance | | |
|----------|--|-----------------|----------------------|
| | Monthly Premium Rate per \$1,000 of Insurance | | Percent Reduction |
| | <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 | .14 | 7 |
| 50 – 54 | .23 | .22 | 4 |
| 55 – 59 | .43 | .41 | 5 |
| 60 – 64 | .53 | .51 | 4 |
| 65 – 69 | .60 | .60 | 0 |

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, 2011.

Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2009. Overall, premiums decrease by 3.8%.

| | <u>Current Rates</u> | <u>Proposed Rates</u> | <u>Reduction</u> | <u>% Reduction</u> |
|-----------|----------------------|-----------------------|------------------|------------------------|
| Employees | \$22,385,456 | \$21,526,021 | \$859,435 | 3.8% |
| Employers | <u>1,816,211</u> | <u>1,746,112</u> | <u>70,098</u> | <u>3.9%</u> |
| Total | \$24,201,667 | \$23,272,133 | \$929,533 | 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, 2009. As discussed in the first section of this report, claims in the years 2007 through 2009 were lower than the experience on which the current rates are based.

Recommendation

Consistent with the recommended employee premium contribution rates at active ages and the anticipated mortality rates at retiree ages for 2011, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2011. 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 7.4% for active employees and by 1.0% 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 | \$.08 | 59 | \$.56 | \$.61 |
| 18 | .07 | .08 | 60 | .67 | .67 |
| 19 | .07 | .08 | 61 | .72 | .73 |
| 20 | .07 | .08 | 62 | .78 | .81 |
| 21 | .07 | .08 | 63 | .84 | .90 |
| 22 | .07 | .08 | 64 | .91 | 1.00 |
| 23 | .07 | .08 | 65 | 1.02 | 1.12 |
| 24 | .07 | .08 | 66 | 1.22 | 1.27 |
| 25 | .07 | .08 | 67 | 1.41 | 1.44 |
| 26 | .07 | .08 | 68 | 1.59 | 1.63 |
| 27 | .07 | .08 | 69 | 1.68 | 1.85 |
| 28 | .07 | .08 | 70 | 1.90 | 2.07 |
| 29 | .07 | .08 | 71 | 2.12 | 2.29 |
| 30 | .07 | .08 | 72 | 2.51 | 2.53 |
| 31 | .07 | .08 | 73 | 2.93 | 2.76 |
| 32 | .08 | .08 | 74 | 3.43 | 2.99 |
| 33 | .08 | .08 | 75 | 3.85 | 3.26 |
| 34 | .09 | .08 | 76 | 4.36 | 3.61 |
| 35 | .09 | .08 | 77 | 4.87 | 4.03 |
| 36 | .10 | .08 | 78 | 5.44 | 4.54 |
| 37 | .11 | .08 | 79 | 6.04 | 5.16 |
| 38 | .11 | .08 | 80 | 6.65 | 5.82 |
| 39 | .12 | .08 | 81 | 7.30 | 6.47 |
| 40 | .12 | .08 | 82 | 7.91 | 7.19 |
| 41 | .13 | .09 | 83 | 8.58 | 8.00 |
| 42 | .15 | .10 | 84 | 9.33 | 8.81 |
| 43 | .15 | .11 | 85 | 10.17 | 9.63 |
| 44 | .16 | .12 | 86 | 11.10 | 10.45 |
| 45 | .16 | .13 | 87 | 12.04 | 11.43 |
| 46 | .17 | .14 | 88 | 13.05 | 12.48 |
| 47 | .19 | .16 | 89 | 14.22 | 13.46 |
| 48 | .22 | .17 | 90 | 15.48 | 14.52 |
| 49 | .26 | .20 | 91 | 16.82 | 15.70 |
| 50 | .24 | .22 | 92 | 18.20 | 17.17 |
| 51 | .27 | .25 | 93 | 19.60 | 19.13 |
| 52 | .29 | .28 | 94 | 21.06 | 21.72 |
| 53 | .32 | .31 | 95 | 22.57 | 25.01 |
| 54 | .36 | .36 | 96 | 24.14 | 30.53 |
| 55 | .45 | .40 | 97 | 25.76 | 42.90 |
| 56 | .48 | .45 | 98 | 51.18 | 61.88 |
| 57 | .52 | .50 | 99 | 81.59 | 83.33 |
| 58 | .54 | .56 | 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 | \$.11 | 73 | \$ 2.52 | \$ 2.37 |
| 46 | .14 | .12 | 74 | 2.94 | 2.57 |
| 47 | .16 | .13 | 75 | 3.30 | 2.80 |
| 48 | .19 | .15 | 76 | 3.73 | 3.09 |
| 49 | .22 | .17 | 77 | 4.18 | 3.46 |
| 50 | .20 | .19 | 78 | 4.67 | 3.89 |
| 51 | .23 | .21 | 79 | 5.17 | 4.42 |
| 52 | .25 | .24 | 80 | 5.70 | 4.99 |
| 53 | .28 | .27 | 81 | 6.26 | 5.54 |
| 54 | .31 | .31 | 82 | 6.78 | 6.16 |
| 55 | .38 | .34 | 83 | 7.35 | 6.85 |
| 56 | .41 | .38 | 84 | 8.00 | 7.55 |
| 57 | .44 | .43 | 85 | 8.72 | 8.25 |
| 58 | .46 | .48 | 86 | 9.51 | 8.96 |
| 59 | .48 | .53 | 87 | 10.32 | 9.80 |
| 60 | .58 | .58 | 88 | 11.18 | 10.70 |
| 61 | .61 | .63 | 89 | 12.19 | 11.54 |
| 62 | .67 | .69 | 90 | 13.27 | 12.44 |
| 63 | .72 | .77 | 91 | 14.42 | 13.46 |
| 64 | .78 | .86 | 92 | 15.60 | 14.72 |
| 65 | .87 | .96 | 93 | 16.80 | 16.40 |
| 66 | 1.05 | 1.09 | 94 | 18.05 | 18.62 |
| 67 | 1.21 | 1.24 | 95 | 19.34 | 21.44 |
| 68 | 1.36 | 1.40 | 96 | 20.69 | 26.17 |
| 69 | 1.44 | 1.59 | 97 | 22.08 | 36.77 |
| 70 | 1.63 | 1.77 | 98 | 43.87 | 53.04 |
| 71 | 1.81 | 1.96 | 99 | 69.94 | 75.14 |
| 72 | 2.15 | 2.17 | 100 and Over | 80.00 | 83.33 |

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND
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.

2009 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 2011.

Submitted for Minnesota Life Insurance Company by:



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Senior Vice President
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Paul E. Rudeen, FSA
Vice President and Actuary
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August 24, 2010

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.

Wisconsin Public Employers Group Life Insurance Program
Local Government Premium Rates Compared to IRC Table I Rates
Proposed Rates for 1/1/2011

Comparison to IRS Table I Rates

| Attained Age | Effective Date | IRS Table I | WPE Rates/IRS Rates Comparison | Attained Age | Effective Date | IRS Table I | WPE Rates/IRS Rates Comparison |
|--------------|-------------------|-------------|--------------------------------|--------------|-------------------|-------------|--------------------------------|
| | <u>07/01/2010</u> | | | | <u>01/01/2011</u> | | |
| Under 25 | \$ 0.05 | \$ 0.05 | equal | Under 25 | \$ 0.05 | \$ 0.05 | equal |
| 25-29 | \$ 0.05 | \$ 0.06 | equal | 25-29 | \$ 0.05 | \$ 0.06 | equal |
| 30-34 | \$ 0.06 | \$ 0.08 | lower | 30-34 | \$ 0.06 | \$ 0.08 | lower |
| 35-39 | \$ 0.07 | \$ 0.09 | lower | 35-39 | \$ 0.07 | \$ 0.09 | lower |
| 40-44 | \$ 0.09 | \$ 0.10 | lower | 40-44 | \$ 0.09 | \$ 0.10 | lower |
| 45-49 | \$ 0.15 | \$ 0.15 | lower | 45-49 | \$ 0.15 | \$ 0.15 | lower |
| 50-54 | \$ 0.23 | \$ 0.23 | lower | 50-54 | \$ 0.23 | \$ 0.23 | equal |
| 55-59 | \$ 0.43 | \$ 0.43 | lower | 55-59 | \$ 0.43 | \$ 0.43 | equal |
| 60-64 | \$ 0.53 | \$ 0.66 | lower | 60-64 | \$ 0.53 | \$ 0.66 | lower |
| 65-69 | \$ 0.60 | \$ 1.27 | lower | 65-69 | \$ 0.60 | \$ 1.27 | lower |
| 70 | \$ 1.00 | \$ 2.06 | lower | 70 | \$ 1.00 | \$ 2.06 | lower |
| 71 | \$ 1.15 | \$ 2.06 | lower | 71 | \$ 1.15 | \$ 2.06 | lower |
| 72 | \$ 1.25 | \$ 2.06 | lower | 72 | \$ 1.25 | \$ 2.06 | lower |
| 73 | \$ 1.45 | \$ 2.06 | lower | 73 | \$ 1.45 | \$ 2.06 | lower |
| 74 | \$ 1.60 | \$ 2.06 | lower | 74 | \$ 1.60 | \$ 2.06 | lower |
| 75 | \$ 1.80 | \$ 2.06 | lower | 75 | \$ 1.80 | \$ 2.06 | lower |
| 76 | \$ 1.95 | \$ 2.06 | lower | 76 | \$ 1.95 | \$ 2.06 | lower |
| 77 | \$ 2.12 | \$ 2.06 | higher | 77 and Older | \$ 2.06 | \$ 2.06 | equal |
| 78 | \$ 2.45 | \$ 2.06 | higher | | | | |
| 79 | \$ 2.75 | \$ 2.06 | higher | | | | |
| 80 | \$ 3.10 | \$ 2.06 | higher | | | | |
| 81 | \$ 3.40 | \$ 2.06 | higher | | | | |
| 82 | \$ 3.70 | \$ 2.06 | higher | | | | |
| 83 | \$ 4.10 | \$ 2.06 | higher | | | | |
| 84 | \$ 4.50 | \$ 2.06 | higher | | | | |
| 85 | \$ 4.90 | \$ 2.06 | higher | | | | |
| 86 | \$ 5.30 | \$ 2.06 | higher | | | | |
| 87 | \$ 5.70 | \$ 2.06 | higher | | | | |
| 88 | \$ 6.35 | \$ 2.06 | higher | | | | |
| 89 | \$ 7.00 | \$ 2.06 | higher | | | | |