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CORRESPONDENCE MEMORANDUM

DATE: April 27, 2011
TO: Group Insurance Board
FROM: Marcia Blumer, Program Manager
Wisconsin Public Employers Group Life Insurance Program
SUBJECT: Audit of the Wisconsin Public Employers (WPE) Group Life Insurance Program for Plan Years 2006 through 2008


This memo is for informational purposes only. No Board action is required.

The Department of Employee Trust Funds retained Wipfli, LLP to conduct an audit of the Wisconsin Public Employers (WPE) Group Life Insurance program for the calendar years of 2006, 2007, and 2008. The audit was designed to assess compliance with the administrative agreement with Minnesota Life Insurance Company (MLIC), the program administrator. The audit included inquiries, observations, and/or tests of processes and procedures used by MLIC to administer the group life insurance program.

The audit demonstrates that MLIC administers the group life insurance program in compliance with applicable contractual, statutory, and regulatory requirements and has implemented an adequate internal control system relative to its processing of group life claim payments. MLIC was found to be in compliance with all significant elements of the administrative agreement and revealed no substantive deficiencies in the administration of the program. A copy of the audit report is attached.

Department staff will be available at the Board meeting to answer any questions that you may have regarding the audit.

Attachment: Wipfli Audit Report

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services.

Signature _____ Date 4/28/11

Board	Mtg Date	Item #
GIB	6.7.11	10E

**Group Insurance Board
State of Wisconsin
Department of Employee Trust Funds**

Madison, Wisconsin

Independent Accountant's Report on Applying Agreed-Upon
Procedures for Third-Party Administration of Group Life Insurance
Program

December 21, 2010

State of Wisconsin - Department of Employee Trust Funds

Independent Accountant's Report on Applying Agreed-Upon Procedures

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State of Wisconsin - Department of Employee Trust Funds

Independent Accountant's Report on Applying Agreed-Upon Procedures

Executive Summary

Wipfli LLP (Wipfli) performed agreed-upon procedures in relation to third-party administration of the Group Life Insurance Program (GLIP) for the years ended December 31, 2006, 2007, and 2008. Minnesota Life Insurance Company (MLIC) performs the administration of the GLIP pursuant to an administrative agreement with the Department of Employee Trust Funds Group Insurance Board. Our procedures were designed to test for specific elements of compliance with the administrative agreement as specified in our approved proposal, signed on May 11, 2010, and discussed in our entrance conference with Department of Employee Trust Funds (ETF) staff. The results of our procedures are summarized below and discussed in greater detail later in this report.

- We noted Minnesota Life to be in compliance with all significant elements of the administrative agreement tested, including:
 - Maintenance of affirmative action, privacy, and business continuation policies
 - Administrative performance standards
 - Policy year reporting

- Our examination of selected transactions revealed no substantive exceptions or errors related to the following:
 - Declinations of coverage under evidence of insurability provisions
 - Payment of death benefit claims
 - Participant eligibility determination
 - Premium invoicing and collection
 - Retirement processing
 - Disability premium waiver

- Overall, we found the records maintained by Minnesota Life to be complete and orderly. We found procedures to be well documented and monitored.



Independent Accountant's Report on Applying Agreed-Upon Procedures for Third-Party Administration of Group Life Insurance Program

Group Insurance Board
Department of Employee Trust Funds
State of Wisconsin
Madison, Wisconsin

We have performed the procedures presented in the following report, which were agreed to by the State of Wisconsin Department of Employee Trust Funds (the specified user), to assist the Department in satisfying its requirements under the Statutes with respect to the Group Life Insurance Program for the years ended December 31, 2006, 2007 and 2008. The State of Wisconsin Department of Employee Trust Funds' management is responsible for the Group Life Insurance Program's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached supplement either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an audit on Minnesota Life Insurance Company or the Group Life Insurance Program financial statements or any elements, accounts, or items thereof, the objective of which would be the expression of an opinion on the specified elements, accounts, or items thereof. Accordingly, we do not express such an opinion. Also, we express no opinion over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the user specified above, and is not intended to be and should not be used by anyone other than that specified user.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin
December 21, 2010

Objectives and Scope

Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in the approved proposal signed on May 11, 2010. Certain other specific procedures were discussed with ETF personnel in advance of performance.

A. Background – Group Life Insurance Program

The Group Life Insurance Program (GLIP) is authorized by Wisconsin Statutes. The Program is available to the employees of the State and participating local government employers with at least six months participation under the Wisconsin Retirement System (WRS). The Program is funded by employer and employee premium payments as well as investment income. Benefits provided under the Program consist of death benefits, dismemberment benefits, and other health conversion features.

The Program is administered by Minnesota Life Insurance Company (MLIC), who also acts as insurer. Under the administrative agreement between the Group Insurance Board (GIB) and MLIC, MLIC is responsible for the provision of technical assistance, enrollment, premium reporting and billing, claims administration, provision of marketing and promotional materials, and certain periodic reporting. The ETF is responsible for communication of program provisions to employees, including the printing and distribution of manuals and forms and counseling employers and participating employer groups, maintenance of employee and employer records, and administration of the appeals process.

B. Previous Examinations

The GLIP was last tested for compliance for the period of January 1, 2003, through December 31, 2005.

C. Objectives

Our engagement was designed to assist ETF in determining whether MLIC is complying with terms of the administrative agreement, conducting enrollments in accordance with policy and requirements, and processing premiums and claims timely and accurately and in accordance with the program's provisions.

D. Scope

Our engagement extends to the application of the certain procedures enumerated in pages 4-12 of this report. We applied these procedures to the records and systems maintained by MLIC and DETF. Our procedures were applied to the 2006, 2007, and 2008 plan years.

Procedures and Results

Procedures and Results

Review of Internal Controls, Policies, and Procedures

Review of Internal Controls

Objectives

1. Obtain an understanding of the procedures and controls surrounding the program's processes in the following specific areas:
 - Enrollment and eligibility
 - Premium billing and collection
 - Retirement
 - Claims
2. Obtain an understanding of the periodic reports produced by MLIC and determine how they are utilized as part of the monitoring and reporting processes.

Procedures

1. Discuss with appropriate personnel the flow of information within ETF, between ETF and MLIC, and within MLIC.
2. Obtain and examine related written policies and procedures.
3. Obtain and examine forms, documents, and transmittals used in the processes.
4. Obtain and examine SAS 70 report on internal controls and effectiveness for MLIC Group Insurance business unit and relevant audit results.

Results

The appendix at page 13 summarizes the process flow for each area of interest.

Based on our inquiry, analysis of these processes and our evaluation of the controls thereon, we obtained an understanding of these systems. Based on this understanding, we made an assessment of the potential for process failures and control risks. Our tests of the enrollment, retirement, premium collection, and claims processes were designed accordingly.

We obtained SAS 70 Reports for the MLIC Group Insurance business unit for the periods July 1, 2005-June 30, 2006, July 1, 2006-June 30, 2007 and July 1, 2007-June 30, 2008. The SAS 70 reports contained no relevant testing exceptions or control weaknesses.

Procedures and Results

Review of Internal Controls (Continued)

It was noted that part of the Department processing was performed by MLIC staff embedded in the Department's operations. The individual performs functions historically performed by Department personnel. The individual functions as de facto Department personnel.

Review of Policies

Objectives

Obtain an understanding of the policies in place at MLIC in the following specific areas:

- Affirmative action
- Privacy
- Disaster recovery and business continuation

Procedures

1. Discuss the policies with appropriate personnel.
2. Compare policies in place with requirements of the contract.

Results

We discussed MLIC's affirmative action policies with Jim Fenton, Senior Employee Relations Specialist. MLIC maintains an affirmative action policy which is reviewed and certified by the State of Minnesota Human Rights Department (HRD) every two years. The policy contains accountability for all levels of the company and calls for internal quarterly, semiannual, and annual reporting at various levels of management. In that current compliance was deemed of more significance than 2006-2008 compliance, we observed the HRD certification effective for the two years beginning June 30, 2009. Accordingly, the MLIC affirmative action policy is deemed compliant with the administrative contract.

We discussed MLIC's privacy policies with Alfrieda Baldwin, Senior Council. MLIC management indicated that the Company's privacy policy is compliant with the federal Gramm-Leach-Bliley Act. As such, MLIC has furnished proper notification of the privacy policy to the State of Wisconsin. MLIC discloses information regarding customers only when a business need exists, subject to applicable oversight and conditions. The company further safeguards information through building security measures, computer access passwords, employee training, and background checks. The company does not consider itself to be classified as a covered entity as defined by HIPAA.

Procedures and Results

Review of Policies (Continued)

During our procedures, Wipfli noted no instances of security breaches or inappropriate disclosures, and no such breaches or disclosure were brought to our attention by ETF or MLIC. Accordingly, the MLIC privacy policies are deemed compliant with the administrative contract.

We discussed MLIC's business continuation planning with Linda Goepfinger, Business Continuation Planning Coordinator. We examined MLIC's Business Continuation Plan (BCP) Program Summary. It identifies internal teams and contacts and extends to the company's business partners and the BCP's of service providers. The plan contains a framework for interim and recovery contingencies. Mainframe simulation exercises are held semiannually, business process exercises are held two to four times per year and distributed system exercises are held annually. The BCP Program Summary included exercise results for 2009 and 2010 that were consistent with the plan. Accordingly, the MLIC business continuation policies are deemed compliant with the administrative contract.

Evidence of Insurability Coverage Declinations

Objectives

Employees who do not enroll during the open enrollment period, or who wish to increase their spouse and dependent coverage, may obtain coverage by providing the insurer satisfactory evidence of insurability. As the insurer, MLIC has the discretion to extend or decline coverage. Objectives included:

1. Documentation of the enrollment process under the evidence of insurability provisions.
2. Detail inspection, on a sample basis, of declined enrollments under the evidence of insurability provisions.

Procedures

1. Discuss the policies with appropriate personnel.
2. Obtain a data file containing coverage declinations from MLIC.
3. Select a sample of declinations and inspect documentation and basis for coverage decision.
4. Compare policies and results of examined transactions with requirements of the state contract.

Procedures and Results

Evidence of Insurability Coverage Declinations (Continued)

Results

We documented the process for enrollments under the evidence of insurability provisions of the plan. We obtained a data file containing all persons declined coverage under evidence of insurability and randomly selected 30 of the 781 declined during the 2006-2008 period. (The sample size provides 95% confidence that the deviation rate is less than 10%.)

We inspected the files, recalculated the underwriting build rating, examined the medical questionnaire (as applicable), examined the physician's statement (as applicable), and recalculated the number of days to process. The files for all items selected contained appropriate documentation. Denial status appeared adequately substantiated based on the documentation obtained and appeared consistent with underwriting policies developed by MLIC. The sample contained no exceptions with regard to noncompliance with processing timeframes specified in the Administrative Agreement related to requests for additional information. The sample contained one item that exceeded the processing time frame specified in the administrative agreement for notification of denial. In this case the rejection letter was issued 21 days from the receipt of information, longer than the required ten days.

Claim Testing

Objectives

Generally, ETF is contacted at the time of an insured member's death. ETF notifies MLIC and the appropriate forms are forwarded to the beneficiaries. Upon submission of the claim request form and supporting documentation, MLIC pays the claim according to the plan and the beneficiaries' requests. Objectives included:

1. Document procedures for processing death and other claims.
2. Detail examination, on a sample basis, of claims paid.

Procedures

1. Discuss the policies with appropriate personnel.
2. Obtain a data file containing claims paid from MLIC.
3. Select a sample of claims paid and inspect documentation and payment details.
4. Compare policies and results of examined transactions with requirements of the state contract.

Procedures and Results

Claim Testing (Continued)

Results

We documented the process for claims payment under the plan. We obtained a data file containing all claims paid and randomly selected 60 of the 5,741 claims paid during the 2006-2008 period. (The sample size provides 95% confidence that the error rate is 5% or less.)

The files of all items selected contained appropriate documentation including initial application, distribution request, and certificate of death, as applicable. The amount of each claim payment was recomputed based on coverage elected and earnings base. Where possible, the participant was also compared to the active Wisconsin Retirement System database to ensure eligibility was appropriately determined. All payment amounts selected were properly calculated as was interest paid. For certain claims, the payment was traced to a copy of the check issued. For these claims, there were no exceptions either in amount or payee. There were no exceptions noted with regard to noncompliance with processing timeframes specified in the Administrative Agreement.

Eligibility and Premium Testing

Objectives

All employees of the State of Wisconsin and participating local governments with at least six months of participation in the WRS are eligible to participate in the plan. Certain legislative, judicial, and other employees are immediately eligible. Coverage and premiums are based on the previous year's annual earnings as reported to WRS, or expected current earnings in the year of hire. Participants may elect additional, supplemental, and spouse and dependent coverage subject to certain criteria. Premiums may be adjusted annually by ETF. Objectives included:

1. Document procedures for processing initial enrollments, determining premium amounts, and collecting premiums.
2. Detail examination, on a sample basis, of new enrollments.
3. Detail examination, on a sample basis, of actual receipt of individual premiums.
4. Trace premium amounts received to amounts reported in the policy year report.

Procedures and Results

Eligibility and Premium Testing (Continued)

Procedures

1. Discuss the policies with appropriate personnel.
2. Obtain a data file containing new participants/enrollees during the 2006-2008 period.
3. Select a sample of participants and inspect eligibility documentation and premium determination.
4. Compare policies and results of examined transactions with requirements of the state contract.

Results

We documented the process for eligibility and premium determination and remittance under the plan. We observed that there were two separate processes in place for each of the following groups:

- State and State agency employees
- Local government unit employees

We obtained a data file containing all new enrollments and randomly selected 60 of the 14,623 local and 5,656 state applicants enrolled during the 2006-2008 period. (The sample size provides 95% confidence that the error rate is 5% or less.) For each participant, we examined the participant's application, noting approvals by the on-site payroll office, and recalculated the premium amount according to age and rates specified in the Administrative Agreement. We verified that the coverage effective date and premiums began in the same period.

For all items tested, premium amounts were properly determined, billed, and collected. There were no exceptions noted with regard to noncompliance with processing timeframes specified in the Administrative Agreement.

Retirement Processing

Objectives

Participants who retire prior to age 65 may continue their coverage by remitting premiums directly to MLIC or as a deduction from their retirement annuity. Participants who retire after age 65 may continue their basic life insurance at a reduced coverage level with no further premiums due. With regard to testing of retirement processing, objectives include:

Procedures and Results

Retirement Processing (Continued)

1. Documentation of participant status change process and premium calculation.
2. Examining, on a sample basis, retirement processing.

Procedures

1. Discuss the policies with appropriate personnel.
2. Obtain a data file containing retirements processed during the 2006-2008 period.
3. Select a sample of newly retired participants and inspect retirement documentation.
4. Compare policies and results of examined transactions with requirements of the state contract.

Results

We documented the process for retirement processing under the plan. We obtained a data file containing all new retirements and randomly selected 30 of the 9,013 newly retired during the 2006-2008 period. (The sample size provides 95% confidence that the error rate is 10% or less.) For each participant, we inspected the retirement date and ensured that it agreed to the MLIC database. When an employee retires and it is put into the ETF system, MLIC is notified and the premium switches from being taken out of a paycheck to being taken out of the retirement annuity. As such, there is no change in premium, or change in coverage. There were no exceptions noted with regard to noncompliance with processing timeframes specified in the Administrative Agreement.

Disability Premium Waivers

Objectives

Participants who are actively employed and become totally disabled may receive continued coverage that requires no premiums, subject to periodic documentation requirements. Objectives include:

1. Documentation of procedures for processing and approving disability premium waiver applications.
2. Examining, on a sample basis, participant requests for disability premium waivers and related documentation.

Procedures and Results

Disability Premium Waivers (Continued)

Procedures

1. Discuss the policies with appropriate personnel.
2. Obtain a data file containing disability premium waivers granted during the 2006-2008 period.
3. Select a sample of participants and inspect documentation and premium waiver determination.
4. Compare policies and results of examined transactions with requirements of the state contract.

Results

We documented the process for disability premium waiver approval under the plan. We obtained a data file containing all premium waivers approved and randomly selected 30 of the 8,114 waivers approved during the 2006-2008 period. (The sample size provides 95% confidence that there error rate is 10% or less.)

For each participant, we examined the participant's application, noting approvals by the on-site payroll office, age, physician statements, and determination of disability under Statute 40.63 (where appropriate). For all items selected, documentation and approvals were appropriate and determination was consistent with policies developed by MLIC. There were no exceptions noted with regard to noncompliance with processing timeframes specified in the Administrative Agreement.

Administrative Performance Standards

Objectives

The Administrative Agreement between the ETF and MLIC requires MLIC to report quarterly on a variety of performance standards. The standards generally relate to timely processing of claims, applications, and underwriting determinations. Objectives include:

1. Documentation of MLIC's process for summarizing and reporting performance data.
2. Examine, on a sample basis, the underlying records that are used in producing the quarterly performance reporting.

Procedures and Results

Administrative Performance Standards (Continued)

Procedures

1. Discuss the process with appropriate personnel.
2. Obtain detail supporting quarterly performance reporting furnished to the Department during 2006-2008.
3. Select a sample of reported data and agree to underlying detail.
4. Compare process, reports, and results of examined detail with requirements of the state contract.

Results

For each year we selected one quarter (3rd Quarter 2006, 1st Quarter 2007, 2nd Quarter 2008) and traced the reported statistics to the underlying summary of data compiled by MLIC at the Madison office. No exceptions were noted on any of the selected standards.

Policy Year Report

Objectives

The Administrative Agreement between the ETF and MLIC requires MLIC to report annually on program assets, liabilities, cash receipts, cash disbursements, and other data in a Policy Year Report, the format of which is prescribed by the agreement. Objectives include:

1. Determine MLIC's process for preparing the Policy Year Report is consistent with the Administrative Agreement.
2. Determine the Policy Year Report is supported by underlying records and documentation.

Procedures

1. Discuss the process with appropriate personnel.
2. Analyze comparative data for the Policy Year Report for 2006, 2007 and 2008.
3. Compare policies and results of examined records with requirements of the state contract.

Procedures and Results

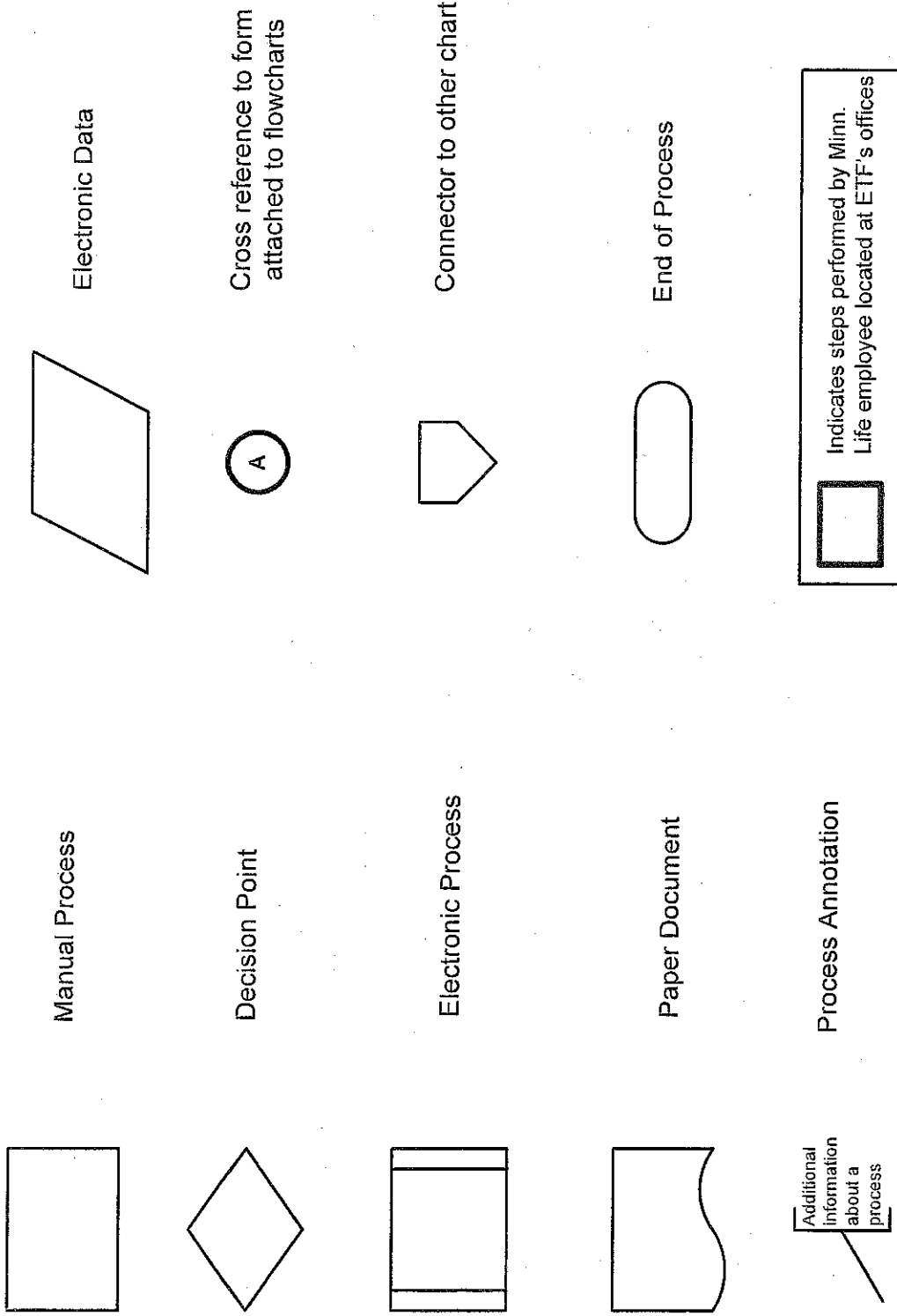
Policy Year Report (Continued)

Results

We documented the process for compiling the Policy Year Report. For our sample of key financial and non-financial data, information was able to be supported by underlying records or adequately explained by MLIC or ETF. Because reporting of data for active post-retirement participants changed for the 2008 policy year report, certain data was not comparable.

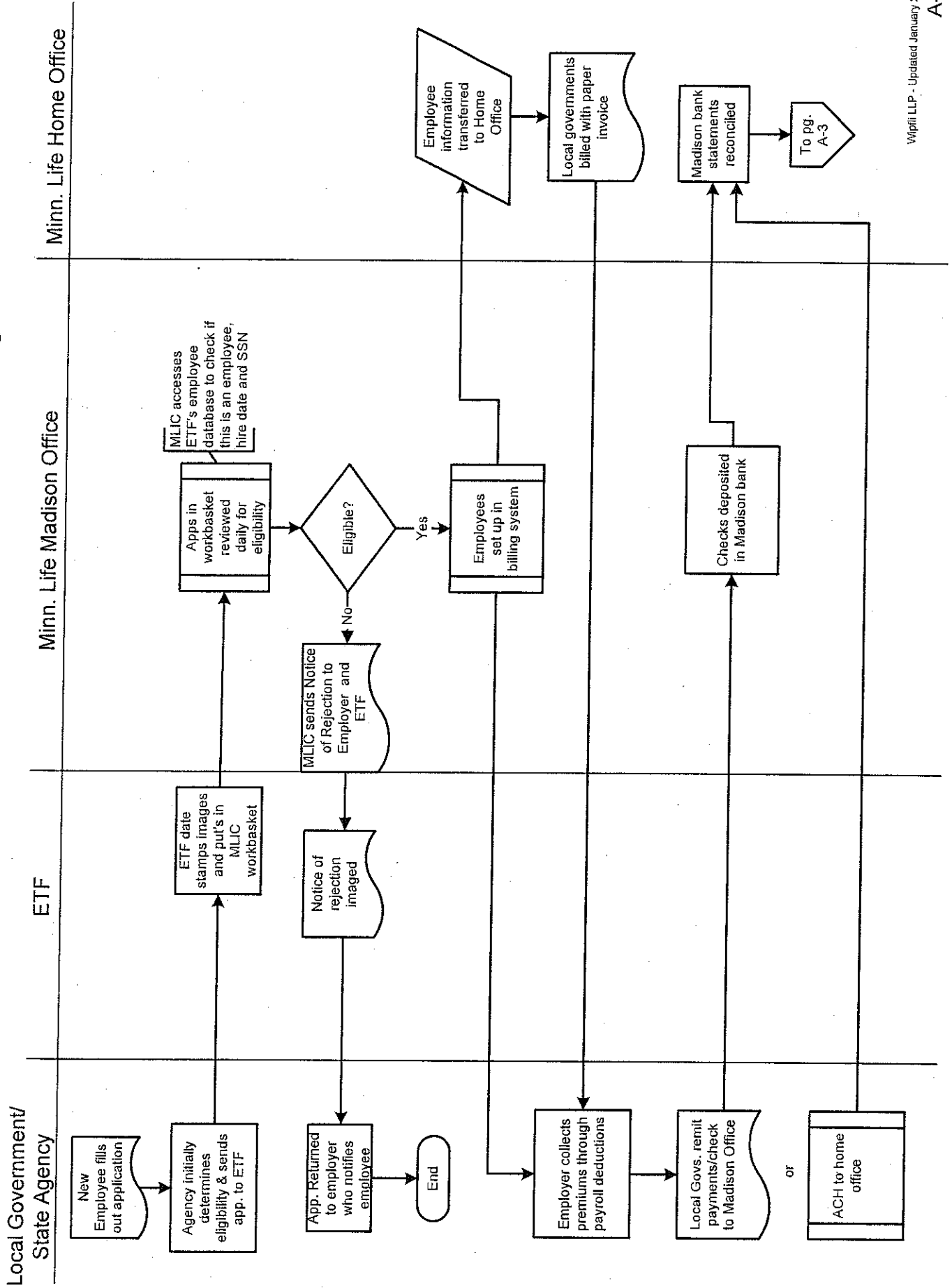
Appendix

Wisconsin Department of Employee Trust Funds
 Group Life Insurance Program
 Flow Chart Symbols



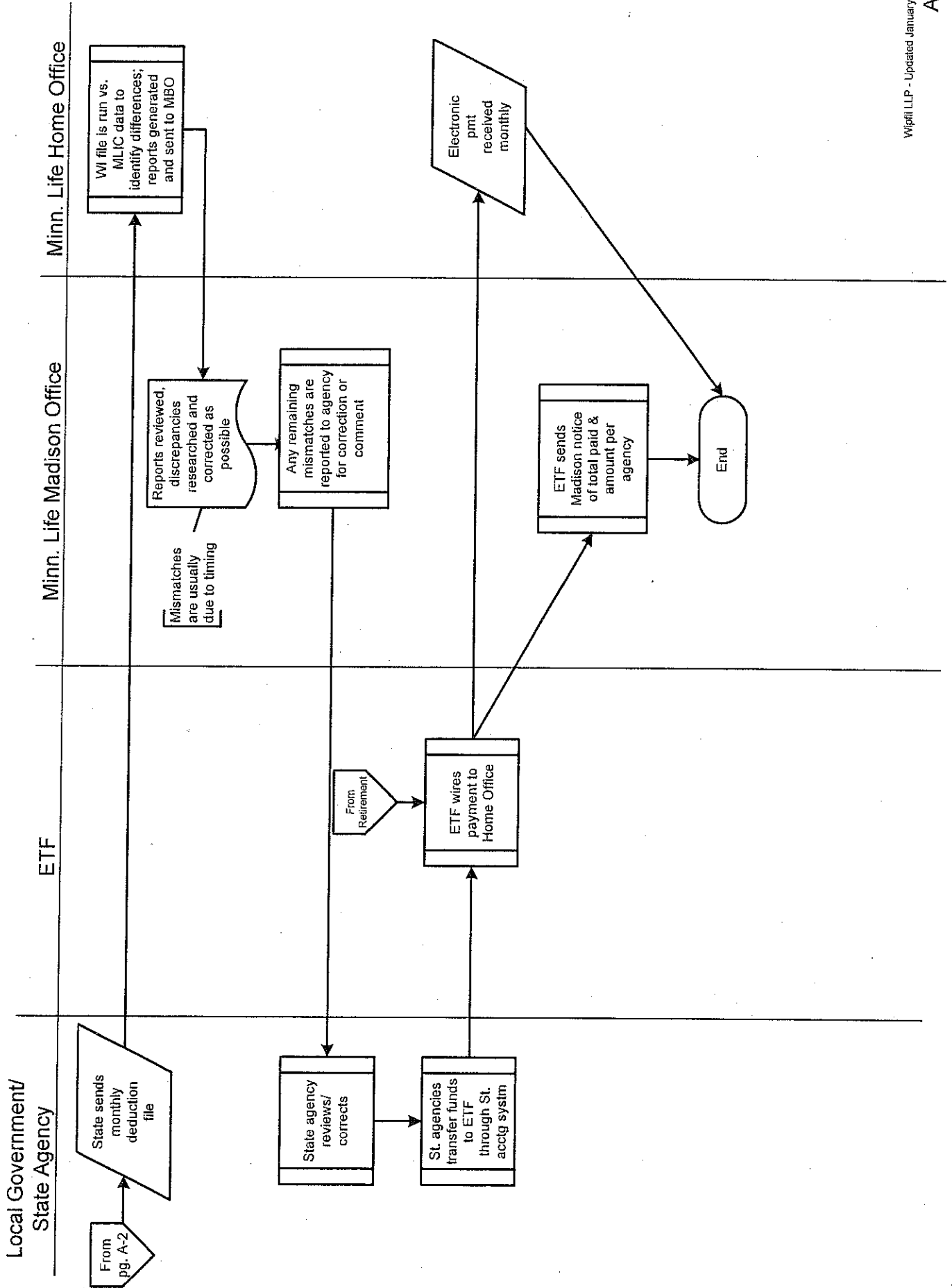
Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Enrollment and Billing

Appendix A



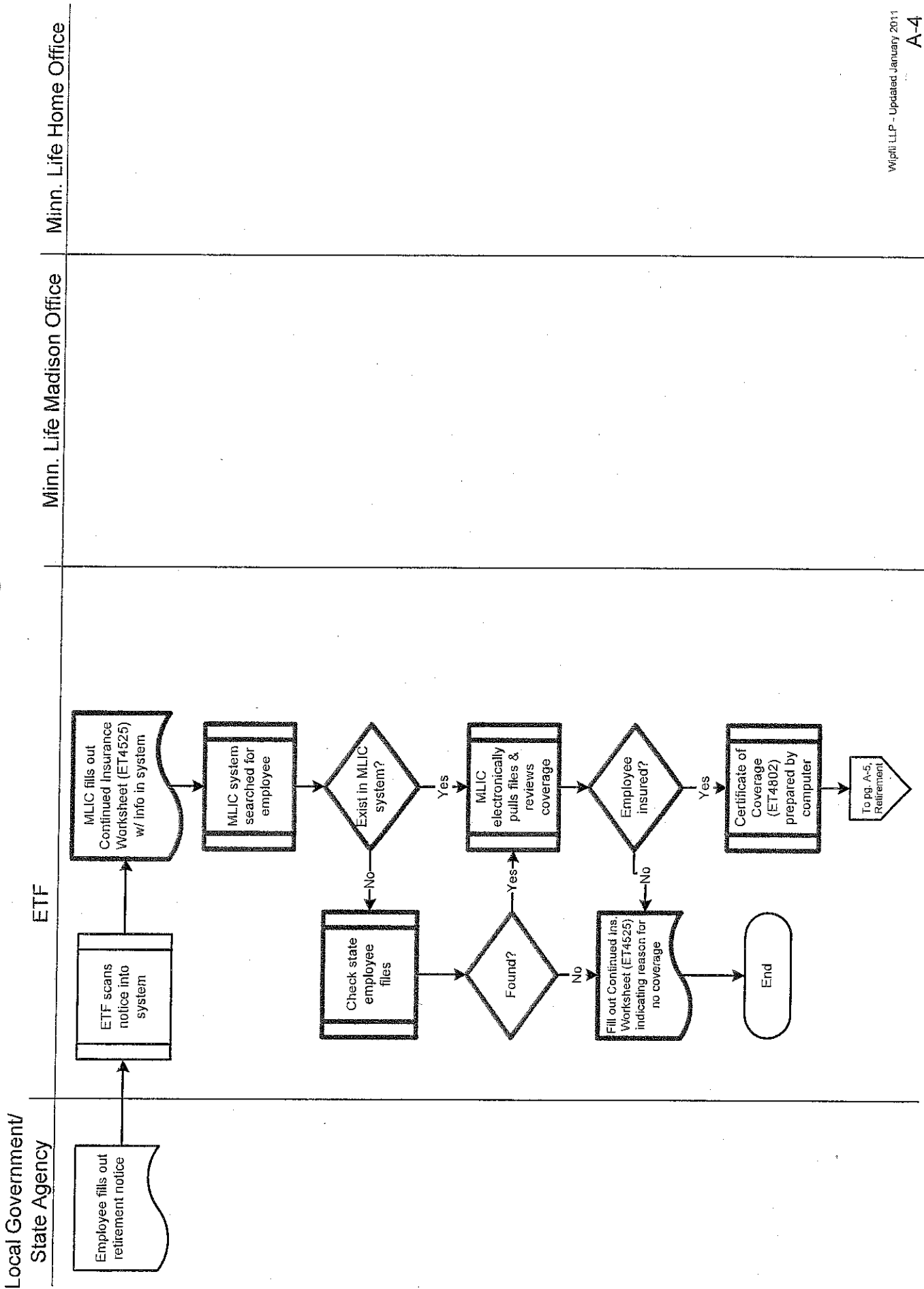
Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Enrollment and Billing

Appendix A



Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

Appendix A



Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

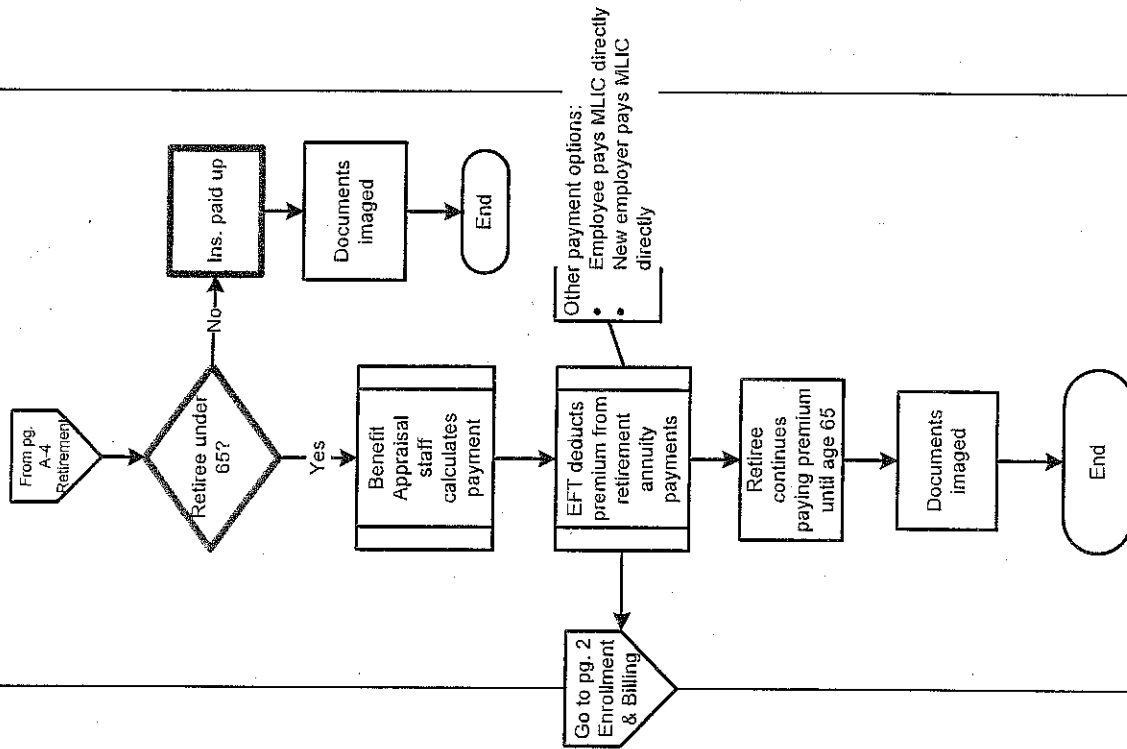
Appendix A

Local Government/
State Agency

ETF

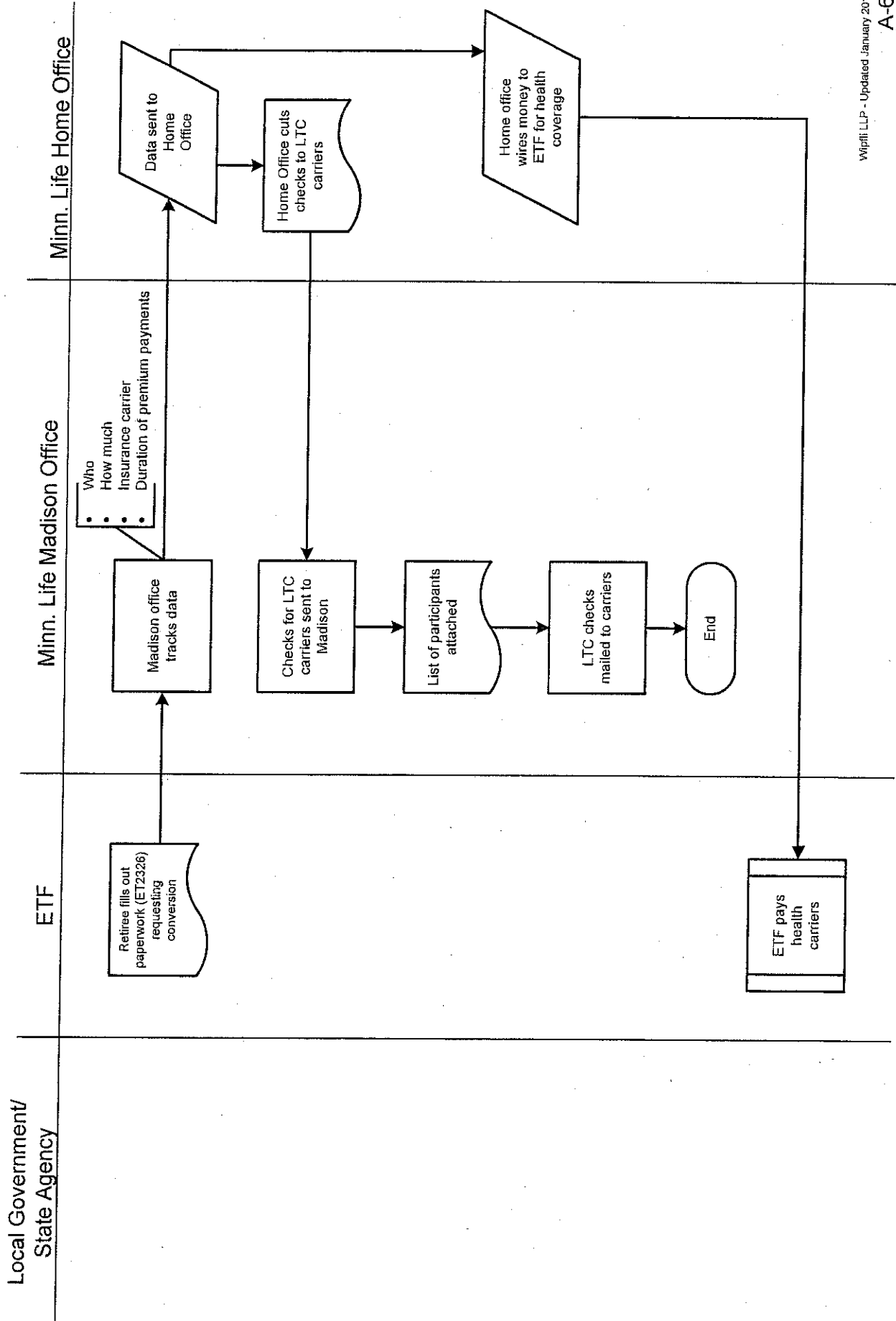
Minn. Life Madison Office

Minn. Life Home Office



Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement and Death

Note: At age 66 (for local governments), a participant can convert the present value of a life insurance policy to pay health and long term care insurance premiums



Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Death Claims

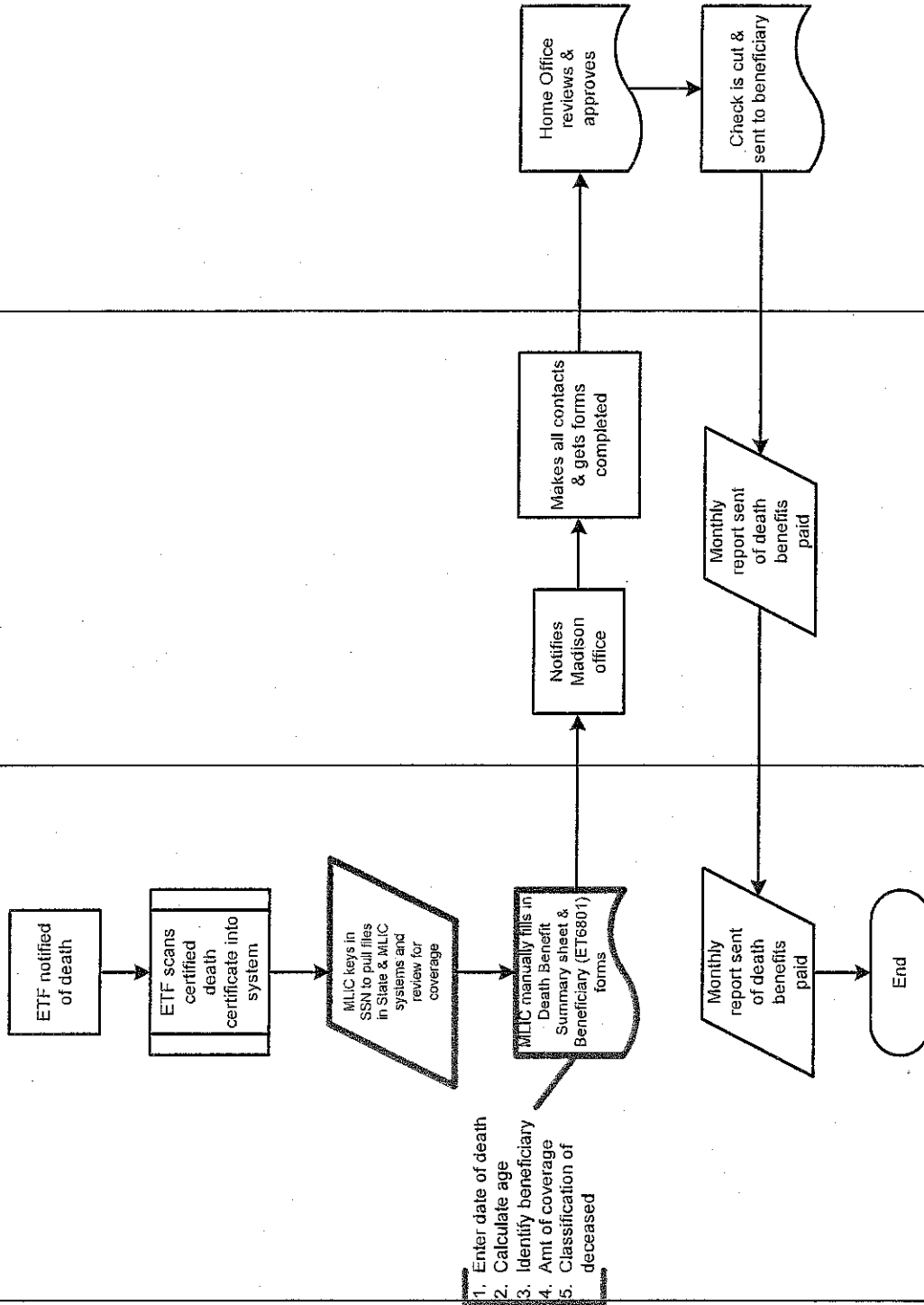
Index A

Local Government/
State Agency

ETF

Minn. Life Madison Office

Minn. Life Home Office



Wisconsin Department of Employee Trust Funds Group Life Insurance Program – Evidence of Insurance

Appendix A

