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## CORRESPONDENCE MEMORANDUM

**DATE:** August 1, 2011  
**TO:** Group Insurance Board  
**FROM:** Marcia Blumer, Program Manager  
Wisconsin Public Employers Group Life Insurance Program  
**SUBJECT:** Wisconsin Public Employers (WPE) Group Life Insurance  
2010 Policy Year Report and Recommendations

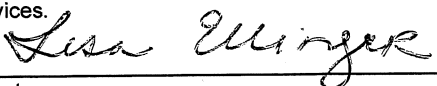
**Staff recommends that the Board approve Minnesota Life Insurance Company's recommendation to decrease premium rates for State employee coverage in the 55 through 69 age brackets. The stop-loss rates will also decrease consistent with the reduction in premium contributions. No other changes are being recommended.**

A summary of the 2010 plan year experience can be found in Attachment A - *Financial Experience Report*. The significant results of the 2010 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 2012 can be found in the separate State and local government plan reports that are also attached.

### State Plan Recommendations

Following several years of favorable claims experience, the result in 2010 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 the 55 through 69 age brackets for basic, supplemental and additional levels of coverage. That is an overall decrease in premium of 6.8%. 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, 2012.

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

  
Signature

8/10/11  
Date

Board	Mtg Date	Item #
GIB	8.23.11	8A

Claims on the State spouse and dependent plan were at their lowest level since 2002. In 2010, the premium was increased to \$2.50 per unit of coverage to restore the stabilization reserve balance that had fallen below the targeted level. The favorable experience has allowed the reserve to recover somewhat; however, it is recommended that the monthly premiums remain at \$2.50 per unit until the target reserve level is achieved.

**Local Government Plan Recommendations**

The claims for the local government employee plan were at the targeted level in 2010. (See *Attachment C – Local Coverage Recommendations*.) No premium rate changes are recommended at this time.

Although 2010 local government spouse and dependent claims were higher than the target level, spouse and dependent premiums can be continued at their current level in 2012. Excess claims are being drawn from the plan's stabilization reserve balance that had grown to exceed the targeted level.

Staff will be available at the Board meeting to respond to questions.

Attachments:

A - Financial Experience Report

B – State Coverage Recommendations

C – Local Coverage Recommendations

# Financial Experience Report

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State of Wisconsin  
Group Insurance Board

**January 1, 2010 through December 31, 2010**

Policy Number: 2832

Submitted by Minnesota Life Group Insurance

June 30, 2011

**MINNESOTA LIFE**

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

RE: EMPLOYEE LIFE INSURANCE PLAN  
2010 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2010 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 2010 are summarized in this letter. Details may be found in the policy year report on the page(s) indicated following each section. Historical experience is presented on pages 17-29 for the State plan and on pages 43-55 for the local government plan.

## STATE PLAN

### PREMIUMS

- In August 2009, the Board approved an increase in the employee premium rate for spouse and dependent insurance from \$2.00 per month to \$2.50 per month. This 25.0% rate increase was implemented on March 1, 2010. (Page 2)

### CLAIMS

- In 2010, 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 at their lowest level since 2002. (Page 9)

### OTHER BENEFITS

- Retired State employees are allowed to convert the value of their postretirement life insurance to an account to pay health insurance or long-term care insurance premiums. During 2010, a total of 133 retired State employees utilized this option, including 39 new elections in 2010 and 94 continuations of earlier elections. One hundred nine retired employees used the account to pay health insurance premiums and 24 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 decreased by over 1,100. On December 31, 2010, over 51,000 active employees, plus over 23,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 1% to over \$9.9 billion. (Pages 5 and 11)

### FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.18%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2010 with funding of future benefits at a strong level. (Page 15)

## LOCAL GOVERNMENT PLAN

### PREMIUMS

- In August 2009, the Board approved reductions in employee premium rates for basic, supplemental and additional insurance. These reductions were implemented effective July 1, 2010 and reduced premiums 3.8% overall. (Page 3)

### CLAIMS

- In 2010, the employee plan results were at the target level. Death claims, though higher than the prior year, were at expected levels. (Pages 32, 33, 38 and 39)
- Claims in 2010 on the spouse and dependent plan were lower than in 2009, but still higher than the current target level, which anticipates using the plan's reserves to cover excess claims. (Page 35)

### OTHER BENEFITS

- Retired local employees are 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 four people used this option during 2010. (Pages 40 and 59)

PLAN GROWTH

- The plan continued its steady growth. In 2010, nine local government employers entered the plan, and another eleven participating employers increased the number of coverages they offer to their employees. On December 31, 2010, a total of 709 employers participated.
- The total number of insured active employees decreased by over 1,100. On December 31, 2010, over 77,000 active employees, plus over 32,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents grew by 3% to over \$10.5 billion. (Pages 31 and 37)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 5.19%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2010 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 2010 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>1-1-2010 through 12-31-2010</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. From 01/01/2010 through 02/28/2010 premium was \$2.00 for each unit of coverage. From 3/1/2010 through 12/31/2010 premium was \$2.50 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 2010 were as follows:

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

Attained <u>Age</u>	<u>01-01-2010 through 06-30-2010</u>	<u>07-01-2010 through 12-31-2010</u>
Under 30	.05	.05
30-34	.06	.06
35-39	.07	.07
40-44	.09	.09
45-49	.15	.15
50-54	.27	.23
55-59	.44	.43
60-64	.53	.53
65-69	.60	.60

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

D. Local Government Employers - Spouse and Dependent Insurance

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

During 2010, 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, 2010:

	State Plan	Local Government Employers Plan
1. Assets		
a. Premium Deposit Fund	\$ 357,229,357	\$ 157,167,232
b. Contingent Liability Reserve	0	70,833,865
c. Total	\$ 357,229,357	\$ 228,001,097
2. Liabilities		
a. Post-Age 65 Retirees	\$ 195,500,396	\$ 111,948,814
b. Pre-Age 65 Retirees	42,878,241	29,426,798
c. Active Employees	204,314,315	132,498,169
d. Total	\$ 442,692,952	\$ 273,873,781
3. Unfunded Accrued Liability (2d - 1c)	\$ 85,463,595	\$ 45,872,684
4. Total Assets as a Percent of Total Liabilities (1c / 2d)	80.7%	83.3%

### 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 2010, the fifty-third year of the plan.

A. Employee Coverage

	<u>12-31-2009</u>	<u>12-31-2010</u>
1. Employees Insured for Pre-Retirement Insurance		
Basic Plan	52,614	51,467
Supplemental Plan	38,046	37,314
Additional Plan	25,281	25,080
2. Pre-Retirement Life and AD&D Insurance		
Basic Plan	\$ 2,918,232,000	\$ 2,913,847,000
Supplemental Plan	2,152,904,000	2,149,274,000
Additional Plan	3,027,825,000	3,089,225,000

B. Spouse and Dependent Coverage

1. Employees Insured	25,145	25,008
2. Estimated Spouse and Dependent Life Insurance	\$ 605,205,000	\$ 601,900,000

\*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	\$ 5,585,157	
Supplemental Plan	4,150,735	
Additional Plan	7,333,548	
Spouse and Dependent Plan	<u>1,253,513</u>	
		\$ 18,322,953

State Contributions

Basic Plan	\$ 1,954,805	
Supplemental Plan	<u>1,452,757</u>	
		<u>\$ 3,407,562</u>

Total Premium \$ 21,730,515

D. Employee Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
Life	\$ 4,175,948	\$ 3,175,997	\$ 3,713,490	\$ 11,065,435
AD&D	198,397	163,845	292,258	654,500
Living Benefit	39,000	39,000	84,000	162,000
Disability	<u>367,977</u>	<u>343,456</u>	<u>784,531</u>	<u>1,495,964</u>
Total	\$ 4,781,322	\$ 3,722,298	\$ 4,874,279	\$ 13,377,899

E. Spouse and Dependent Claims

	<u>Spouse</u>	<u>Dependent</u>	
Life	\$ 833,284	\$ 105,817	\$ 939,101
Living Benefit	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total	\$ 853,284	\$ 105,817	\$ 959,101



STATE OF WISCONSIN

F. Financial Experience - Active Employee Insurance

1. Premium

Employee Contributions	\$ 17,069,440	
Employer Contributions	<u>3,407,562</u>	
 Total Premium		 \$ 20,477,002

2. Claim Charges

Death Claims	\$ 11,065,435	
AD&D Claims	654,500	
Living Benefit Claims	162,000	
Increase in Disability Claim Reserve	1,495,964	
Pooled Claims	0	
Pool Charge	622,396	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 14,000,295

3. Expense Charges

Minnesota Life Expenses	\$ 713,009	
Reinsurance Expense	3,237	
Risk Charge	<u>22,909</u>	
 Total Expense Charges		 \$ 739,155

4. Tax Charges

State Premium Tax	\$ 409,540	
Federal Income Tax	<u>58,728</u>	
 Total Tax Charges		 \$ 468,268

5. Interest Credits/Charges

On Premium	\$ 226,208	
On Disability Claim Reserve	1,265,665	
On Claims Paid	(91,623)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(20,262)</u>	
 Total Interest Credits/Charges		 \$ 1,379,988

6. State Internal Administration Expense

\$ 190,230

7. Audit/Consultant Service Charge

\$ 6,115

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

\$ 6,452,927

STATE OF WISCONSIN

G. Reserve Summary

1. Premium Deposit Fund

Balance on 12-31-2009	\$	8,981,728
Interest Credit		465,904
Withdrawals on 12-31-2010		<u>0</u>
Balance on 12-31-2010	\$	9,447,632

2. Stabilization Reserve

Balance on 12-31-2009	\$	11,882,916
Interest Credit		567,381
Contribution on 12-31-2010		6,452,927
Withdrawals on 12-31-2010		<u>0</u>
Balance on 12-31-2010	\$	18,903,224

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2010 4.95%

H. Stop-Loss Calculation for Active Employee Insurance

Stop-Loss Limit	\$	27,462,423
Claim Charges	\$	13,967,631
Expense Charges		<u>1,148,695</u>
Total Charges	\$	15,116,326
Catastrophic Loss Credit	\$	0

STATE OF WISCONSIN

I. Financial Experience - Spouse and Dependent Insurance

1. Premium		\$ 1,253,513
2. Claim Charges		
Death Claims	\$ 939,101	
Living Benefit Claims	20,000	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 959,101
3. Expense Charges		
Minnesota Life Expenses	\$ 23,876	
Risk Charge	<u>2,507</u>	
Total Expense Charges		\$ 26,383
4. Tax Charges		
State Premium Tax	\$ 25,070	
Federal Income Tax	<u>1,567</u>	
Total Tax Charges		\$ 26,637
5. Interest Credits/Charges		
On Premium	\$ 13,408	
On Claims Paid	(7,050)	
On Expense Charges & Conversion Charge	<u>(895)</u>	
Total Interest Credits/Charges		\$ 5,463
6. State Internal Administration Expense		\$ 36,037
7. Audit/Consultant Service Charge		\$ 452
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		\$ 210,366
9. Stabilization Reserve		
Stabilization Reserve on 12-31-2009		\$ 289,188
Addition to Reserve on 12-31-2010		210,366
Interest on Stabilization Reserve in 2010		<u>18,277</u>
Stabilization Reserve on 12-31-2010		\$ 517,831

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit		\$ 1,629,567
Claim Charges		958,870
Expense Charges		<u>51,453</u>
Total Charges		\$ 1,010,323
Catastrophic Loss Credit		\$ 0

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STATE OF WISCONSIN

III. State of Wisconsin Plan - Retirees\*

Report on operations for 2010, the fifty-third year of the plan.

A. Retiree Coverage

	<u>12-31-2009</u>	<u>12-31-2010</u>
1. Retirees Insured for Pre-Age 65 Insurance		
Basic Plan	6,431	6,603
Supplemental Plan	4,421	4,526
Additional Plan	1,678	1,725
2. Pre-Age 65 Life and AD&D Insurance		
Basic Plan	\$ 370,489,000	\$ 388,910,000
Supplemental Plan	248,863,000	260,964,000
Additional Plan	148,145,000	157,860,000
3. Retirees Insured for Post-Age 65 Insurance		
	16,034	16,584
4. Post-Age 65 Life Insurance		
	\$ 371,714,750	\$ 396,600,250

\*The retiree plan financial report includes:

- All retirees at age 65 and over, and all active employees at age 70 and over, who receive a post-retirement life insurance benefit with no further premium payments.
- All retirees under age 65 who receive post-retirement life insurance benefits based on continued premium payments.
- All funding contributions by 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	\$ 1,778,202	
Supplemental Plan	1,253,241	
Additional Plan	<u>500,360</u>	\$ 3,531,803

State Contributions to Premium Deposit Fund \$ 1,563,881

Total Premium \$ 5,095,684

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	\$ 1,351,022	\$ 1,084,079	\$ 855,789	\$ 3,290,890
AD&D	119,382	119,382	0	238,764
Living Benefit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,470,404	\$ 1,203,461	\$ 855,789	\$ 3,529,654
2. Post-Age 65 Life Insurance				
Life	\$ 10,472,997			\$ 10,472,997
Living Benefit	<u>0</u>			<u>0</u>
Total	\$ 10,472,997			\$ 10,472,997

STATE OF WISCONSIN

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

Pre-Age 65 Contributions	\$ 3,531,803	
Withdrawal from Premium Deposit Fund on 12-31-2010	<u>391,493</u>	
 Total Premium		 \$ 3,923,296

2. Claim Charges

Death Claims	\$ 3,290,890	
AD&D Claims	238,764	
Living Benefit Claims	0	
Pooled Claims	0	
Pool Charge	44,041	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 3,573,695

3. Expense Charges

Minnesota Life Expenses	\$ 177,432	
Reinsurance Expense	806	
Risk Charge	<u>13,681</u>	
 Total Expense Charges		 \$ 191,919

4. Tax Charges

State Premium Tax	\$ 78,466	
Federal Income Tax	<u>12,331</u>	
 Total Tax Charges		 \$ 90,797

5. Interest Credits/Charges

On Premium	\$ 41,423	
On Claims Paid	(24,032)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(4,069)</u>	
 Total Interest Credits/Charges		 \$ 13,322

6. State Internal Administration Expense \$ 38,772

7. Actuarial Service Charge \$ 41,435

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

The Experience Credit is deposited in the Contingent Liability Reserve.

STATE OF WISCONSIN

E. Financial Experience - Post-Age 65 Retiree Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2009	\$ 349,424,958
Contributions for Active Employees During 2010	1,563,881
Withdrawal on 12-31-2010 for Pre-Age 65 Retiree Insurance	(391,493)
Post-Age 65 Death Claims	(10,472,997)
Minnesota Life Expenses on Post-Age 65 Retiree Death Claims	(164,220)
State Premium Tax	(217,259)
Risk Charge	(8,461)
Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums	(481,683)
Interest on Premium Deposit Fund in 2010	<u>17,976,631</u>
Premium Deposit Fund on 12-31-2010	\$ 357,229,357

Interest Rate on Premium Deposit Fund Reserve in 2010	5.20%
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STATE OF WISCONSIN

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

	<u>2009</u>	<u>2010</u>
1. Assets		
a. Premium Deposit Fund	\$ 349,424,958	\$ 357,229,357
b. Contingent Liability Reserve	0	0
c. Total	\$ 349,424,958	\$ 357,229,357
2. Liabilities		
a. Post-Age 65 Retirees	\$ 182,817,638	\$ 195,500,396
b. Pre-Age 65 Retirees	40,275,309	42,878,241
c. Active Employees	201,651,448	204,314,315
d. Total	\$ 424,744,395	\$ 442,692,952
3. Unfunded Accrued Liability [2(d) - 1(c)]	\$ 75,319,437	\$ 85,463,595
4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)]	82.3%	80.7%

Definitions of liability values:

- Post-Age 65 Retirees - present value of future claims
- Pre-Age 65 Retirees - present value of future claims minus present value of future premiums
- Active Employees - present value of future post-retirement claims minus present value of future 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	\$ 18,379,348
Claim Charges	\$ 14,021,922
Expense Charges	660,325
Total Charges	\$ 14,682,247
Catastrophic Loss Credit	\$ 0

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STATE OF WISCONSIN

IV. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2010

Employee Contributions		\$ 48,327,862
State Contributions		
Basic Plan	\$ 5,604,138	
Supplemental Plan	4,173,073	
		9,777,211
Total Premium		\$ 58,105,073
Reserve Brought Forward on January 1, 2008		\$ 8,057,225
Death Claims	\$ 30,569,585	
AD&D Claims	2,536,821	
Living Benefit Claims	751,000	
Increase in Disability Claim Reserve	5,026,572	
Pooled Claims	0	
Pool Charge	1,391,594	
Conversion Charge	0	
Catastrophic Loss Credit	0	
Total Claim Charges		\$ 40,275,572
Premium Deposit Fund on 12-31-2010	\$ 9,447,632	
Stabilization Reserve on 12-31-2010	18,903,224	
Total		\$ 28,350,856
Payments to State		
State Premium Tax	\$ 1,162,102	
State Internal Administration Expense	497,390	
Actuarial Service Charge	0	
Audit/Consultant Service Charge	6,115	
Legal Expense	0	
Total		\$ 1,665,607
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2010		\$ 4,129,737
Minnesota Life Expenses	\$ 2,026,376	
Reinsurance Expense	9,191	
Risk Charge	117,026	
Federal Income Tax Charge	168,876	
Total	\$ 2,321,469	
Interest Credited to Plan	6,451,206	
Interest Credited to Plan Less Cost		\$ 4,129,737

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>	
2010	8,152,346,000	\$17,069,440	\$1,954,805	\$1,452,757	\$20,477,002
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		\$48,327,862	\$5,604,138	\$4,173,073	\$58,105,073

Claims

<u>Year</u>	<u>Death Losses</u>					
	<u>Life</u>	<u>AD&amp;D</u>	<u>Total</u>	<u>Living Benefits</u>	<u>Disability Losses</u>	<u>Total Claims</u>
2010	\$11,065,435	\$654,500	\$11,719,935	\$162,000	\$1,495,964	\$13,377,899
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	\$30,569,585	\$2,536,821	\$33,106,406	\$751,000	\$5,026,572	\$38,883,978

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2010	\$13,377,899	\$0	\$0	\$622,396	\$14,000,295
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	\$38,883,978	\$0	\$0	\$1,391,594	\$40,275,572

STATE OF WISCONSIN

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

Year	Overhead Cost						State Internal Administration Expense	Audit/ Consultant Charge	Interest Credits/ Charges
	Insurance Company Expense	Reinsurance Expense	Risk Charge	State Premium Tax	Federal Income Tax	Total			
2010	\$713,009	\$3,237	\$22,909	\$409,540	\$58,728	\$1,207,423	\$190,230	\$6,115	\$114,323
2009	684,771	3,109	45,156	393,321	59,908	1,186,265	180,736	0	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>0</u>	<u>224,462</u>
Totals	\$2,026,376	\$9,191	\$117,026	\$1,162,102	\$168,876	\$3,483,571	\$497,390	\$6,115	\$482,044

Year	Reserves			
	Disability Reserve	Stabilization Reserve	Premium Deposit Fund	Total
2010	\$25,984,655	\$18,903,224	\$9,447,632	\$54,335,511
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
2010	\$1,265,665	\$567,381	\$465,904	\$2,298,950
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	\$3,695,830	\$882,925	\$1,390,407	\$5,969,162

STATE OF WISCONSIN

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1981 through 2010

Employee Contribution		\$ 25,336,564
Death Claims	\$ 24,131,131	
Living Benefit Claims	70,000	
Conversion Charge	198,615	
Catastrophic Loss Credit	<u>(313,347)</u>	
Total Claim Charges		\$ 24,086,399
Stabilization Reserve on 12-31-2010		\$ 517,831
Payments to State		
State Premium Tax	\$ 506,733	
State Internal Administration Expense	991,866	
Audit/Consultant Service Charge	<u>15,546</u>	
Total		\$ 1,514,145
Payment from Stabilization Reserve for Premiums		\$ 35,399
Excess of Disbursement and Reserves over Premium		\$ 817,210
Minnesota Life Expenses	\$ 458,949	
Risk Charge	43,703	
Federal Income Tax Charge	<u>60,019</u>	
Total	\$ 562,671	
Interest Credited to Plan	<u>1,379,881</u>	
Interest Credited to Plan Less Cost		\$ 817,210

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>
2010	\$1,253,513	\$939,101	\$20,000	\$0	\$959,101
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
1981- 2000	<u>14,075,462</u>	<u>13,225,903</u>	<u>30,000</u>	<u>198,615</u>	<u>13,454,518</u>
Total	\$25,336,564	\$24,131,131	\$70,000	\$198,615	\$24,399,746

<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>		
2010	\$23,876	\$2,507	\$0	\$25,070	\$1,567	\$53,020	\$36,037	\$452
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
1981- 2000	<u>222,457</u>	<u>21,181</u>	<u>(313,347)</u>	<u>281,510</u>	<u>50,319</u>	<u>262,120</u>	<u>599,854</u>	<u>9,151</u>
Total	\$458,949	\$43,703	(\$313,347)	\$506,733	\$60,019	\$756,057	\$991,866	\$15,546

<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>
2010	\$601,900,000	\$517,831	\$18,277	\$5,463
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
1981- 2000	<u>555,905,000</u>	<u>602,383</u>	<u>805,066</u>	<u>82,897</u>
Total			\$1,247,513	\$132,368

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STATE OF WISCONSIN

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2010

Retiree Contributions		\$ 10,000,497
State Contributions		<u>4,483,295</u>
Total Premium		\$ 14,483,792
Reserve Brought Forward on January 1, 2008		\$ 329,768,061
Death Claims	\$ 38,252,791	
AD&D Claims	455,581	
Living Benefit Claims	69,750	
Pooled Claims	0	
Pool Charge	100,021	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 38,878,143
Contingent Liability Reserve on 12-31-2010	\$ 0	
Premium Deposit Fund on 12-31-2010	<u>357,229,357</u>	
Total		\$ 357,229,357
Payments to State		
State Premium Tax	\$ 821,543	
State Internal Administration Expense	75,609	
Actuarial Service Charge	<u>68,740</u>	
Total		\$ 965,892
Withdrawals of Postretirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums		\$ 1,419,906
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2010		\$ 54,241,445
Minnesota Life Expenses	\$ 958,073	
Reinsurance Expense	2,292	
Risk Charge	55,909	
Federal Income Tax Charge	<u>34,715</u>	
Total	\$ 1,050,989	
Interest Credited to Plan	<u>55,292,434</u>	
Interest Credited to Plan Less Cost		\$ 54,241,445

STATE OF WISCONSIN

F. Historical Statistics - Retiree Insurance - 2008 and Later

Year	Insurance In Force at End of Year		Premium		
	Pre-Age 65	Post-Age 65	Pre-Age 65 Retiree Contributions	State Contributions for Active Employees	Total Premium
	2010	807,734,000	396,600,250	\$3,531,803	\$1,563,881
2009	767,497,000	371,714,750	3,316,473	1,514,440	4,830,913
2008	740,099,000	348,802,000	<u>3,152,221</u>	<u>1,404,974</u>	<u>4,557,195</u>
Totals			\$10,000,497	\$4,483,295	\$14,483,792

Claims

Year	Death Losses				Pre-Age 65 Living Benefits	Post-Age 65 Living Benefits	Total Claims
	Pre-Age 65 Life	Pre-Age 65 AD&D	Post -Age 65 Life	Total			
2010	\$3,290,890	\$238,764	\$10,472,997	\$14,002,651	\$0	\$0	\$14,002,651
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	\$9,792,210	\$455,581	\$28,460,581	\$38,708,372	\$0	\$69,750	\$38,778,122

Year	Total Claims	Conversion Charge	Pooled Claims	Pool Charge	Total Claim Charges
2010	\$14,002,651	\$0	\$0	\$44,041	\$14,046,692
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	\$38,778,122	\$0	\$0	\$100,021	\$38,878,143

STATE OF WISCONSIN

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

Year	Overhead Cost						Actuarial Service Charge	State Internal Administration Expense	Interest Credits/ Charges
	Insurance Company Expense	Reinsurance Expense	Risk Charge	State Premium Tax	Federal Income Tax	Total			
2010	\$341,652	\$806	\$22,142	\$295,725	\$12,331	\$672,655	\$41,435	\$38,772	\$13,322
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>	0	<u>15,954</u>
Totals	\$958,073	\$2,292	\$55,909	\$821,543	\$34,715	\$1,872,531	\$68,740	\$75,609	\$53,799

Year	Reserves		
	Contingent Liability Reserve	Premium Deposit Fund	Total
2010	\$0	\$357,229,357	\$357,229,357
2009	0	349,424,958	349,424,958
2008	6,269,070	332,961,288	339,230,358

Year	Interest Credits on Reserves			Withdrawals to Pay Health and LTC Premiums
	Contingent Liability Reserve	Premium Deposit Fund	Total	
2010	\$0	\$17,976,631	\$17,976,631	\$481,683
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	\$54,114,856	\$55,238,635	\$1,419,906

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STATE OF WISCONSIN

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

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

STATE OF WISCONSIN

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

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

Claims

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

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

STATE OF WISCONSIN

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

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

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

Year	Interest Credits on Reserves				Withdrawals to Pay Health and LTC Premiums
	Disability Reserve	Contingent Liability Reserve	Premium Deposit Fund	Total	
2007	\$1,149,269	\$1,305,400	\$17,715,113	\$20,169,782	\$263,259
2006	975,149	1,681,973	16,073,075	18,730,197	538,053
2005	890,137	1,904,463	15,960,456	18,755,056	316,819
2004	937,441	2,796,523	15,200,843	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 2010, the fifty-first year of the plan.

A. Employee Coverage

	<u>12-31-2009</u>	<u>12-31-2010</u>
1. Employees Insured for Pre-Retirement Insurance (1)		
Basic Plan	78,384	77,229
Supplemental Plan	23,832	23,918
Additional Plan	32,936	32,970
2. Pre-Retirement Life and AD&D Insurance (1)		
Basic Plan	\$ 3,676,941,000	\$ 3,751,705,000
Supplemental Plan	1,165,669,000	1,216,753,000
Additional Plan	3,438,030,000	3,617,609,000

B. Spouse and Dependent Coverage

1. Employees Insured	36,940	36,340
2. Estimated Spouse and Dependent Life Insurance	\$ 897,225,000	\$ 882,590,000

\*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	\$ 7,555,941	
Supplemental Plan	2,421,092	
Additional Plan	6,918,463	
Spouse and Dependent Plan	<u>1,329,441</u>	
		\$ 18,224,937

Employer Contributions to Premium

Basic Plan	\$ 1,318,343	
Supplemental Plan	<u>52,885</u>	
		<u>1,371,228</u>

Total Premium

\$ 19,596,165

D. Employee Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
Life	\$ 4,611,862	\$ 1,356,484	\$ 4,451,442	\$ 10,419,788
AD&D	388,462	172,248	587,729	1,148,439
Living Benefit	469,000	171,000	692,000	1,332,000
Disability	<u>218,847</u>	<u>187,772</u>	<u>536,084</u>	<u>942,703</u>
Total	\$ 5,688,171	\$ 1,887,504	\$ 6,267,255	\$ 13,842,930

E. Spouse and Dependent Claims

	<u>Spouse</u>	<u>Dependent</u>	
Life	\$ 1,403,219	\$ 45,167	\$ 1,448,386
Living Benefit	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total	\$ 1,413,219	\$ 45,167	\$ 1,458,386

WISCONSIN LOCAL GOVERNMENTS

F. Financial Experience - Active Employee Insurance

1. Premium

Employee Contributions	\$ 16,895,496	
Employer Contributions	1,371,228	
	<u>1,371,228</u>	
 Total Premium		 \$ 18,266,724

2. Claim Charges

Death Claims	\$ 10,419,788	
AD&D Claims	1,148,439	
Living Benefit Claims	1,332,000	
Pooled Claims	0	
Pool Charge	42,860	
Increase in Disability Claim Reserve	942,703	
Conversion Charge	11,040	
Catastrophic Loss Credit	0	
	<u>0</u>	
 Total Claim Charges		 \$ 13,896,830

3. Expense Charges

Minnesota Life Expenses	\$ 1,329,765	
Reinsurance Expense	3,078	
Risk Charge	24,714	
	<u>24,714</u>	
 Total Expense Charges		 \$ 1,357,557

4. Tax Charges

State Premium Tax	\$ 365,334	
Federal Income Tax	47,967	
	<u>47,967</u>	
 Total Tax Charges		 \$ 413,301

5. Interest Credits/Charges

On Premium	\$ 211,106	
On Disability Claim Reserve	984,110	
On Claims Paid	(92,484)	
On Expense Charges, Pool Charge & Conversion Charge	(20,209)	
	<u>(20,209)</u>	
 Total Interest Credits/Charges		 \$ 1,082,523

6. State Internal Administration Expense \$ 190,230

7. Audit/Consultant Service Charge \$ 5,955

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 3,485,374

WISCONSIN LOCAL GOVERNMENTS

G. Reserve Summary

1. Premium Deposit Fund

Balance on 12-31-2009	\$	8,910,328
Interest Credit		460,833
Withdrawals on 12-31-2010		<u>0</u>
Balance on 12-31-2010	\$	9,371,161

2. Stabilization Reserve

Balance on 12-31-2009	\$	9,368,979
Interest Credit		437,826
Contribution on 12-31-2010		3,485,374
Withdrawals on 12-31-2010		<u>0</u>
Balance on 12-31-2010	\$	13,292,179

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2010		4.92%
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H. Stop-Loss Calculation for Active Employee Insurance

Stop-Loss Limit	\$	23,948,219
Claim Charges	\$	13,891,659
Expense Charges		<u>1,722,891</u>
Total Charges	\$	15,614,550
Catastrophic Loss Credit	\$	0

WISCONSIN LOCAL GOVERNMENTS

I. Financial Experience - Spouse and Dependent Insurance

1. Premium		\$ 1,329,441
2. Claim Charges		
Death Claims	\$ 1,448,386	
Living Benefit Claims	10,000	
Conversion Charge	<u>9,300</u>	
Total Claim Charges		\$ 1,467,686
3. Expense Charges		
Minnesota Life Expenses	\$ 70,593	
Risk Charge	<u>2,659</u>	
Total Expense Charges		\$ 73,252
4. Tax Charges		
State Premium Tax	\$ 26,589	
Federal Income Tax	<u>(1,138)</u>	
Total Tax Charges		\$ 25,451
5. Interest Credits/Charges		
On Premium	\$ 15,505	
On Claims Paid	(12,116)	
On Expense Charges & Conversion Charge	<u>(1,447)</u>	
Total Interest Credits/Charges		\$ 1,942
6. State Internal Administration Expense		\$ 36,037
7. Audit/Consultant Service Charge		\$ 612
8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)]		\$ (271,655)
9. Stabilization Reserve		
Stabilization Reserve on 12-31-2009		\$ 2,376,502
Addition to Reserve on 12-31-2010		(271,655)
Interest on Stabilization Reserve in 2010		<u>125,084</u>
Stabilization Reserve on 12-31-2010		\$ 2,229,931

J. Stop-Loss Calculation for Spouse and Dependent Insurance

Stop-Loss Limit		\$ 1,927,690
Claim Charges		1,399,877
Expense Charges		<u>99,842</u>
Total Charges		\$ 1,499,719
Catastrophic Loss Credit		\$ 0

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WISCONSIN LOCAL GOVERNMENTS

VI. Wisconsin Local Government Plan - Retirees\*

Report on operations for 2010, the fifty-first year of the plan.

A. Retiree Coverage

	<u>12-31-2009</u>	<u>12-31-2010</u>
1. Retirees Insured for Pre-Age 65 Insurance		
Basic Plan	9,232	9,599
Supplemental Plan	1,296	1,418
Additional Plan	2,178	2,287
2. Pre-Age 65 Life and AD&D Insurance		
Basic Plan	\$ 496,685,000	\$ 528,722,000
Supplemental Plan	71,358,000	79,720,000
Additional Plan	176,138,000	191,574,000
3. Retirees Insured for Post-Age 65 Insurance	21,787	22,671
4. Post-Age 65 Insurance	\$ 247,986,000	\$ 263,634,750

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

WISCONSIN LOCAL GOVERNMENTS

B. Premium Summary

Pre-Age 65 Retiree Contributions

Basic Plan	\$ 3,394,178	
Supplemental Plan	221,154	
Additional Plan	<u>717,624</u>	\$ 4,332,956

Employer Contributions to Premium Deposit Fund \$ 1,928,846

Total Premium \$ 6,261,802

C. Retiree Claims

	<u>Basic Plan</u>	<u>Supplemental Plan</u>	<u>Additional Plan</u>	<u>Total</u>
<b>1. Pre-Age 65 Life and AD&amp;D Insurance</b>				
Life	\$ 3,433,727	\$ 834,779	\$ 1,823,223	\$ 6,091,729
AD&D	169,527	2,249	192,996	364,772
Living Benefit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 3,603,254	\$ 837,028	\$ 2,016,219	\$ 6,456,501
<b>2. Post-Age 65 Life Insurance</b>				
Life	\$ 5,939,071			\$ 5,939,071
Living Benefit	<u>15,250</u>			<u>15,250</u>
Total	\$ 5,954,321			\$ 5,954,321



WISCONSIN LOCAL GOVERNMENTS

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

Pre-Age 65 Contributions	\$ 4,332,956	
Withdrawal from Premium Deposit Fund on 12-31-2010	<u>2,816,538</u>	
 Total Premium		 \$ 7,149,494

2. Claim Charges

Death Claims	\$ 6,091,729	
AD&D Claims	364,772	
Living Benefit Claims	0	
Pooled Claims	0	
Pool Charge	3,851	
Conversion Charge	0	
Catastrophic Loss Credit	<u>0</u>	
 Total Claim Charges		 \$ 6,460,352

3. Expense Charges

Minnesota Life Expenses	\$ 455,909	
Reinsurance Expense	1,055	
Risk Charge	<u>11,167</u>	
 Total Expense Charges		 \$ 468,131

4. Tax Charges

State Premium Tax	\$ 142,990	
Federal Income Tax	<u>19,479</u>	
 Total Tax Charges		 \$ 162,469

5. Interest Credits/Charges

On Premium	\$ 69,101	
On Claims Paid	(49,572)	
On Expense Charges, Pool Charge & Conversion Charge	<u>(7,055)</u>	
 Total Interest Credits/Charges		 \$ 12,474

6. State Internal Administration Expense \$ 52,451

7. Actuarial Service Charge \$ 18,565

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

The Experience Credit is deposited in the Contingent Liability Reserve.

WISCONSIN LOCAL GOVERNMENTS

E. Financial Experience - Post-Age 65 Retiree Insurance

1. Premium Deposit Fund

Premium Deposit Fund on 12-31-2009	\$	150,285,432
Contributions for Active Employees During 2010		1,928,846
Withdrawals on 12-31-2010		(2,816,538)
Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums		(3,683)
Interest on Premium Deposit Fund in 2010		<u>7,773,175</u>
Premium Deposit Fund on 12-31-2010	\$	157,167,232

2. Contingent Liability Reserve

Contingent Liability Reserve on 12-31-2009	\$	73,364,357
Contributions on 12-31-2010		0
Post-Age 65 Death Claims		(5,954,321)
Minnesota Life Expenses		(198,177)
State Premium Tax		(125,575)
Risk Charge		(3,130)
Interest on Contingent Liability Reserve in 2010		<u>3,750,711</u>
Contingent Liability Reserve on 12-31-2010	\$	70,833,865

Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2010	5.21%
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WISCONSIN LOCAL GOVERNMENTS

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

	<u>2009</u>	<u>2010</u>
1. Assets		
a. Premium Deposit Fund	\$ 150,285,432	\$ 157,167,232
b. Contingent Liability Reserve	<u>73,364,357</u>	<u>70,833,865</u>
c. Total	\$ 223,649,789	\$ 228,001,097
2. Liabilities		
a. Post-Age 65 Retirees	\$ 103,529,970	\$ 111,948,814
b. Pre-Age 65 Retirees	27,113,242	29,426,798
c. Active Employees	<u>127,935,545</u>	<u>132,498,169</u>
d. Total	\$ 258,578,757	\$ 273,873,781
3. Unfunded Accrued Liability [2(d) - 1(c)]	\$ 34,928,968	\$ 45,872,684
4. Total Assets as a Percent of Total Liabilities [1(c)/2(d)]	86.5%	83.3%

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 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	\$ 13,604,484
Claim Charges	\$ 12,352,856
Expense Charges	<u>938,003</u>
Total Charges	\$ 13,290,859
Catastrophic Loss Credit	\$ 0

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WISCONSIN LOCAL GOVERNMENTS

VII. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2010

Employee Contributions		\$ 48,715,653
Employer Contributions		<u>3,798,611</u>
Total Premium		\$ 52,514,264
Reserve Brought Forward on January 1, 2008		\$ 7,995,249
Death Claims	\$ 30,572,637	
AD&D Claims	2,499,045	
Living Benefit Claims	1,785,000	
Increase in Disability Claim Reserve	2,590,825	
Pooled Claims	0	
Pool Charge	91,811	
Conversion Charge	38,520	
Catastrophic Loss Credit	<u>0</u>	
Total Claim Charges		\$ 37,577,838
Premium Deposit Fund on 12-31-2010	\$ 9,371,161	
Stabilization Reserve on 12-31-2010	<u>13,292,179</u>	
Total		\$ 22,663,340
Payments to State		
State Premium Tax	\$ 1,050,285	
State Internal Administration Expense	497,390	
Actuarial Service Charge	0	
Audit/Consultant Service Charge	8,205	
Research Survey Cost	<u>0</u>	
Total		\$ 1,555,880
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2010		\$ 1,287,545
Minnesota Life Expenses	\$ 3,756,287	
Reinsurance Expense	8,614	
Risk Charge	80,806	
Catastrophic Loss	0	
Federal Income Tax Charge	<u>150,437</u>	
Total		\$ 3,996,144
Interest Credited to Plan		<u>5,283,689</u>
Interest Credited to Plan Less Cost		\$ 1,287,545

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>
2010	\$8,586,067,000	\$16,895,496	\$1,371,228	\$18,266,724
2009	8,280,640,000	16,275,592	1,294,951	17,570,543
2008	7,811,801,000	<u>15,544,565</u>	<u>1,132,432</u>	<u>16,676,997</u>
Totals		\$48,715,653	\$3,798,611	\$52,514,264

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&amp;D</u>	<u>Total</u>			
2010	\$10,419,788	\$1,148,439	\$11,568,227	\$1,332,000	\$942,703	\$13,842,930
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	\$30,572,637	\$2,499,045	\$33,071,682	\$1,785,000	\$2,590,825	\$37,447,507

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2010	\$13,842,930	\$11,040	\$0	\$42,860	\$13,896,830
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>
	\$37,447,507	\$38,520	\$0	\$91,811	\$37,577,838

WISCONSIN LOCAL GOVERNMENTS

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

<u>Year</u>	<u>Overhead Costs</u>					<u>Total</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>			
2010	\$1,329,765	\$3,078	\$24,714	\$365,334	\$47,967	\$1,770,859	\$190,230	\$98,413
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	\$3,756,287	\$8,614	\$80,806	\$1,050,285	\$150,437	\$5,046,430	\$497,390	\$376,484

<u>Year</u>	<u>Reserves</u>			
	<u>Disability Reserve</u>	<u>Stabilization Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2010	\$19,741,973	\$13,292,179	\$9,371,161	\$42,405,313
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>
2010	\$984,110	\$437,826	\$460,833	\$1,882,769
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	\$2,952,363	\$578,930	\$1,375,912	\$4,907,205

WISCONSIN LOCAL GOVERNMENTS

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1983 through 2010

Employee Contribution		\$ 34,345,276
Death Claims	\$ 31,053,805	
Living Benefit Claims	165,000	
Conversion Charge	<u>277,185</u>	
Total Claim Charges		\$ 31,495,990
Stabilization Reserve on 12-31-2010		\$ 2,229,931
Payments to State		
State Premium Tax	\$ 686,907	
State Internal Administration Expense	936,546	
Audit/Consultant Service Charge	<u>15,706</u>	
Total		\$ 1,639,159
Payment from Stabilization Reserve for Premiums		\$ 41,392
Excess of Disbursement and Reserves over Premium		\$ 1,061,196
Minnesota Life Expenses	\$ 1,390,023	
Risk Charge	62,966	
Federal Income Tax Charge	<u>76,014</u>	
Total	\$ 1,529,003	
Interest Credited to Plan	<u>2,590,199</u>	
Interest Credited to Plan Less Cost		\$ 1,061,196



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>
2010	\$1,329,441	\$1,448,386	\$10,000	\$9,300	\$1,467,686
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
1983- 2000	<u>20,195,004</u>	<u>16,460,474</u>	<u>40,000</u>	<u>125,205</u>	<u>16,625,679</u>
Total	\$34,345,276	\$31,053,805	\$165,000	\$277,185	\$31,495,990

<u>Year</u>	<u>Insurance Company</u>		<u>Overhead Cost</u>		<u>Total</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>			
2010	\$70,593	\$2,659	\$26,589	(\$1,138)	\$98,703	\$36,037	\$612
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
1983- 2000	<u>701,189</u>	<u>34,664</u>	<u>403,902</u>	<u>93,125</u>	<u>1,232,880</u>	<u>544,535</u>	<u>9,151</u>
Total	\$1,390,023	\$62,966	\$686,907	\$76,014	\$2,215,910	\$936,546	\$15,706

<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>
2010	\$882,590,000	\$2,229,931	\$125,084	\$1,942
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
1983- 2000	<u>794,480,000</u>	<u>2,639,323</u>	<u>700,316</u>	<u>197,640</u>
Total			\$2,334,383	\$255,816

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WISCONSIN LOCAL GOVERNMENTS

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2010

Retiree Contributions	\$	12,286,476
Employer Contributions		<u>5,641,561</u>
Total Premium	\$	17,928,037
Reserve Brought Forward on January 1, 2008	\$	208,679,884
Death Claims	\$	30,206,375
AD&D Claims		744,759
Living Benefit Claims		78,000
Pooled Claims		0
Pool Charge		11,166
Conversion Charge		0
Catastrophic Loss Credit		<u>0</u>
Total Claim Charges	\$	31,040,300
Contingent Liability Reserve on 12-31-2010	\$	70,833,865
Premium Deposit Fund on 12-31-2010		<u>157,167,232</u>
Total	\$	228,001,097
Payments to State		
State Premium Tax	\$	674,748
State Internal Administration Expense		102,284
Actuarial Service Charge		45,870
Audit/Consultant Service Charge		0
Research Survey Cost		<u>0</u>
Total	\$	822,902
Withdrawals of Postretirement Life Insurance Values to Pay Health Insurance Premiums	\$	3,683
Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2010	\$	33,260,061
Minnesota Life Expenses	\$	1,825,181
Reinsurance Expense		2,941
Risk Charge		35,862
Catastrophic Loss		0
Federal Income Tax Charge		<u>57,652</u>
Total	\$	1,921,636
Interest Credited to Plan		<u>35,181,697</u>
Interest Credited to Plan Less Cost	\$	33,260,061

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>			
2010	800,016,000	263,634,750	\$4,332,956	\$1,928,846	\$6,261,802
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			\$12,286,476	\$5,641,561	\$17,928,037

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&amp;D</u>	<u>Post -Age 65 Life</u>	<u>Total</u>			
2010	\$6,091,729	\$364,772	\$5,939,071	\$12,395,572	\$0	15,250	\$12,410,822
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	\$14,276,547	\$744,759	\$15,929,828	\$30,951,134	\$0	\$78,000	\$31,029,134

<u>Year</u>	<u>Total Claims</u>	<u>Conversion Charge</u>	<u>Pooled Claims</u>	<u>Pool Charge</u>	<u>Total Claim Charges</u>
2010	\$12,410,822	\$0	\$0	\$3,851	\$12,414,673
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	\$31,029,134	\$0	\$0	\$11,166	\$31,040,300

WISCONSIN LOCAL GOVERNMENTS

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

<u>Year</u>	<u>Overhead Cost</u>						<u>Actuarial Service Charge</u>	<u>Interest Credits/Charges</u>
	<u>Insurance Company Expense</u>	<u>Reinsurance Expense</u>	<u>Risk Charge</u>	<u>State Premium Tax</u>	<u>Federal Income Tax</u>	<u>Total</u>		
2010	\$654,086	\$1,055	\$14,297	\$268,565	\$19,479	\$957,481	\$18,565	\$12,474
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	\$1,825,181	\$2,941	\$35,862	\$674,748	\$57,652	\$2,596,383	\$45,870	\$40,875

<u>Year</u>	<u>Reserves</u>		
	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>
2010	\$70,833,865	\$157,167,232	\$228,001,097
2009	73,364,357	150,285,432	223,649,789
2008	75,189,487	140,921,026	216,110,513

<u>Year</u>	<u>Interest Credits on Reserves</u>			<u>Withdrawals to Pay Health and LTC Premiums</u>
	<u>Contingent Liability Reserve</u>	<u>Premium Deposit Fund</u>	<u>Total</u>	
2010	\$3,750,711	\$7,773,175	\$11,523,886	\$3,683
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	\$12,049,351	\$23,091,471	\$35,140,822	\$3,683

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WISCONSIN LOCAL GOVERNMENTS

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

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

WISCONSIN LOCAL GOVERNMENTS

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

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

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

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



WISCONSIN LOCAL GOVERNMENTS

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

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

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

Year	Reserves				Total	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 2010, the sixteenth year of the benefit

	<u>State Retirees</u>	<u>Local Retirees</u>
A. Number of Retirees Utilizing Benefit		
1. Utilization on December 31, 2009	94	3
2. Conversions Effective in 2010	39	1
3. Terminations During 2010		
a. Exhaustion of Conversion Account Balance	38	2
b. Death	3	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)	41	2
4. Adjustments	0	0
5. Utilization on December 31, 2010 (1+2-3e+4)	92	2
B. Conversion Account Activity		
1. Conversion Account Balances on December 31, 2009	\$ 536,820.08	\$ 16,687.40
2. Conversion Account Balances Established in 2010	\$ 480,112.50	\$ 3,682.50
3. Payments From Conversion Accounts During 2010		
a. Health Insurance Premiums	\$ 403,029.54	\$ 7,458.70
b. Long-term Care Insurance Premiums	44,357.04	0.00
c. Death Benefits	11,612.41	0.00
d. Revocation of Conversion	0.00	0.00
e. Reversion to Life Insurance Plan Reserve	(1,570.46)	0.00
f. Adjustments	<u>0.00</u>	<u>0.00</u>
g. Total Payments (a+b+c+d+e+f)	\$ 457,428.53	\$ 7,458.70
4. Conversion Account Balances on December 31, 2010 (1+2-3g)	\$ 559,504.05	\$ 12,911.20

STATE OF WISCONSIN  
AND WISCONSIN LOCAL GOVERNMENTS

	<u>State Retirees</u>	<u>Local Retirees</u>
<b>C. Cumulative Number of Retirees Utilizing Benefit - 1995 through 2010</b>		
1. Conversions	552	9
2. Terminations		
a. Exhaustion of Conversion Account Balance	421	8
b. Death	32	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)	460	8
3. Adjustments	0	1
4. Utilization on December 31, 2010 (1-2e+3)	92	2
 <b>D. Cumulative Conversion Account Activity - 1995 through 2010</b>		
1. Conversion Account Balances Established	\$ 5,945,883.50	\$ 59,992.50
2. Payments From Conversion Accounts		
a. Health Insurance Premiums	\$ 4,385,310.32	\$ 47,074.80
b. Long-term Care Insurance Premiums	803,329.07	0.00
c. Death Benefits	146,980.06	0.00
d. Revocation of Conversion	26,678.90	0.00
e. Reversion to Life Insurance Plan Reserve	20,476.67	0.00
f. Adjustments	<u>3,604.43</u>	<u>6.50</u>
g. Total Payments (a+b+c+d+e+f)	\$ 5,386,379.45	\$ 47,081.30
3. Conversion Account Balances on December 31, 2010 (1-2g)	\$ 559,504.05	\$ 12,911.20

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

REPORT TO THE GROUP INSURANCE BOARD  
OF THE STATE OF WISCONSIN

Submitted by  
Minnesota Life Insurance Company

August 23, 2011

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## PREMIUM RATES FOR THE STATE EMPLOYEE GROUP LIFE INSURANCE PLAN

### Review of Recent Plan Experience

- Premiums

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

The most recent change in premium rates occurred on March 1, 2011, 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 2010 were the best ever experienced on the plan, and considerably better than the targeted level. The 2010 result was slightly better than the 2008 and 2009 results, which were the plan's best years ever prior to 2010. These three years of results are considerably improved over results during 2005 through 2007, which together were equal to the targeted level.

The excellent 2008-2010 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 expand the experience period in setting rates for 2012. This will allow meaningful rate reductions in 2012 and the opportunity to monitor results through the end of 2011 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 2012 for basic, supplemental, and additional insurance.

1. Reduce employee premium rates for basic and supplemental insurance at ages 55-69.

### 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	\$.04	\$.04	0%
30-34	.04	.04	0
35-39	.04	.04	0
40-44	.06	.06	0
45-49	.10	.10	0
50-54	.16	.16	0
55-59	.25	.22	12
60-64	.33	.30	9
65-69	.44	.39	11

2. Reduce employee premium rates for additional insurance at ages 30-39 and 55-69.

### 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	\$.06	\$.06	0%
30-34	.07	.06	14
35-39	.07	.06	14
40-44	.09	.09	0
45-49	.15	.15	0
50-54	.24	.24	0
55-59	.37	.33	11
60-64	.50	.45	10
65-69	.66	.59	11

## 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 March 1, 2012.

## Cost Implications

The following table shows current and proposed annual premium costs based on insurance in force on December 31, 2010. Overall, premiums decrease by 6.8%.

	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Reduction</u>	<u>% Reduction</u>
Employees				
Basic & Supplemental	\$11,439,743	\$10,623,880	\$ 815,863	7.1%
Additional	<u>7,671,627</u>	<u>7,181,762</u>	<u>489,865</u>	<u>6.4%</u>
Employees Total	\$19,111,370	\$17,805,642	\$1,305,728	6.8%
State	<u>\$ 4,626,435</u>	<u>\$ 4,326,212</u>	<u>\$ 300,223</u>	<u>6.5%</u>
Total	\$23,737,805	\$22,131,854	\$1,605,951	6.8%

## 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, 2011. As discussed in the first section of this report, overall claims in the years 2008 through 2010 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 2012, Minnesota Life recommends that stop-loss rates be changed effective January 1, 2012.** The current and proposed stop-loss rates for the state plan appear in the table on the following two pages. The proposed rates will reduce the stop-loss limit by 4.3% for active employees and will increase the stop-loss limit by 4.9% 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	\$.07	\$.07	59	\$ .58	\$ .55
18	.07	.07	60	.63	.60
19	.07	.07	61	.69	.66
20	.07	.07	62	.76	.72
21	.07	.07	63	.85	.80
22	.07	.07	64	.94	.89
23	.07	.07	65	1.05	1.00
24	.07	.07	66	1.20	1.14
25	.07	.07	67	1.36	1.29
26	.07	.07	68	1.54	1.46
27	.07	.07	69	1.74	1.66
28	.07	.07	70	1.95	1.85
29	.07	.07	71	2.15	2.05
30	.07	.07	72	2.38	2.26
31	.07	.07	73	2.60	2.47
32	.07	.07	74	2.82	2.68
33	.07	.07	75	3.07	2.92
34	.07	.07	76	3.39	3.22
35	.07	.07	77	3.79	3.60
36	.07	.07	78	4.27	4.06
37	.07	.07	79	4.85	4.61
38	.07	.07	80	5.48	5.20
39	.07	.07	81	6.08	5.78
40	.08	.08	82	6.76	6.42
41	.09	.08	83	7.52	7.15
42	.09	.09	84	8.29	7.88
43	.10	.10	85	9.06	8.60
44	.11	.11	86	9.83	9.34
45	.13	.12	87	10.76	10.22
46	.14	.13	88	11.75	11.16
47	.15	.14	89	12.66	12.03
48	.16	.16	90	13.66	12.98
49	.18	.17	91	14.77	14.04
50	.21	.20	92	16.15	15.35
51	.23	.22	93	18.00	17.10
52	.26	.25	94	20.65	19.62
53	.30	.28	95	23.99	22.79
54	.33	.32	96	29.28	27.82
55	.37	.36	97	41.15	39.10
56	.42	.40	98	59.36	56.40
57	.47	.45	99	83.33	79.90
58	.52	.50	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	\$ .11	\$ .10	73	\$ 2.23	\$ 2.12
46	.12	.11	74	2.41	2.29
47	.13	.12	75	2.63	2.50
48	.14	.13	76	2.91	2.76
49	.16	.15	77	3.25	3.09
50	.18	.17	78	3.66	3.48
51	.20	.19	79	4.16	3.95
52	.22	.21	80	4.70	4.46
53	.25	.24	81	5.21	4.95
54	.29	.27	82	5.80	5.51
55	.32	.31	83	6.45	6.13
56	.36	.34	84	7.11	6.75
57	.40	.38	85	7.76	7.38
58	.45	.43	86	8.43	8.01
59	.50	.47	87	9.22	8.76
60	.54	.51	88	10.07	9.57
61	.59	.56	89	10.85	10.31
62	.65	.62	90	11.71	11.12
63	.72	.69	91	12.66	12.03
64	.81	.77	92	13.85	13.16
65	.90	.86	93	15.43	14.66
66	1.03	.97	94	17.70	16.82
67	1.17	1.11	95	20.56	19.54
68	1.32	1.25	96	25.10	23.85
69	1.49	1.42	97	35.27	33.52
70	1.67	1.59	98	50.88	48.34
71	1.85	1.76	99	72.08	68.48
72	2.04	1.94	100 and Over	83.33	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.

2010 claim results were the best results since 2002, which helped to increase the stabilization reserve toward the targeted level.

Recommendation

**Based on our analysis of recent experience and considering our goal of strengthening the stabilization reserve, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2012.**

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 23, 2011

## 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 23, 2011

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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, 2011, 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 2010 were at the targeted level. The claims during the most recent three-year period are better than the targeted level. However, the 2009 result is so dramatically different from other recent years' experience that it appears 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 2012. As a result, the experience in our analysis is at the targeted level and consistent with current premium rates.

### Recommendation

**Based on our analysis of recent experience, Minnesota Life recommends that employee and employer premium contribution rates be continued at their current levels in 2012.**

## 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, 2011. As discussed in the first section of this report, overall claims in recent years are consistent with the experience on which the current rates are based.

### Recommendation

**Given recent experience, and consistent with the recommended employee premium contribution rates for 2012, Minnesota Life recommends that stop-loss rates be maintained at their current level for 2012.**

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.

2010 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 2012.**

Submitted for Minnesota Life Insurance Company by:



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Senior Vice President  
Group Insurance Division



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Vice President and Actuary  
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August 23, 2011

## 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.