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Correspondence Memorandum

Date: July 18, 2016
To: Group Insurance Board
From: Sherry Etes, Life Insurance Program Manager
Office of Strategic Health Policy
Subject: Wisconsin Public Employers (WPE) Group Life Insurance
2015 Policy Year Report and Recommendations

Staff recommends no changes to rates under the state and local government portions of the Group Life Insurance Program. In addition, staff recommends accepting the annual report from Securian Financial Group (Securian).

Securian recommends maintaining the existing premium rates and benefits of the state plan for the plan year from April 1, 2017 through March 31, 2018. Securian also recommends maintaining the existing premium rates and benefits of the local government plans for the plan year from July 1, 2017 through June 30, 2018.

The results of the 2015 policy year experience and Securian recommendations will be presented by Paul Rudeen, Vice President and Actuary for Securian, at the August 16 Group Insurance Board (Board) meeting. The 2015 policy year highlights and experience details can be found in the Financial Experience Report (Attachment A).

State Plan Experience

The state plan covers over 79,000 total lives for both active employees and retirees. Total lives covered in the state plan have increased by more than 800 in 2015, including a decrease of over 500 for active employees and an increase of 1,300 for retirees. Total life insurance in force increased 2% to over \$10.7 billion in 2015. Claims for both the employee and spouse and dependent plans were fewer than projected.

The overall average interest earnings rate on all reserve funds held for the plan was 3.63%. The plan ended 2015 with funding of future benefits within an acceptable range. Securian recommends rates for the state plan to continue at current levels in the 2017 plan year.

Reviewed and approved by Lisa Ellinger, Director, Office of Strategic Health Policy

Electronically Signed 8/3/16

| Board | Mtg Date | Item # |
|-------|----------|--------|
| GIB | 08.16.16 | 3B |

Local Government Plan Experience

The local plan covers over 114,000 total lives for both active employees and retirees. The number of insured lives in the local government plan increased by more than 300 for active employees and 1,300 for retirees in 2015. The total life insurance in force increased by 3% to \$11.7 billion. In 2015, the plan had excellent results, driven by low death and disability claims.

The overall average interest earnings rate on all reserve funds held for the plan was 3.55%. The local government plan finished 2015 with funding of future benefits within an acceptable range. Securian recommends rates for the local government plan to continue at current levels in the 2017 plan year.

Securian Performance Standards for Customer Service

The contract with Securian includes nine performance standards for timely provision of customer service, as outlined in the table below. Securian achieved results of 100% in seven of the nine performance standards. The other two performance standards also met expectations and are listed below:

- Death and dismemberment claims paid within 10 days of necessary proof received; goal of 95% and Securian achieved a result of 99.16%
- Notification of disposition mailed to applicant within seven days of receipt of necessary information; goal of 99% and Securian achieved a result of 99.93%

| Performance Standard | Goal % | Achieved % |
|---|--------|------------|
| 1. Death and Dismemberment Claims paid within 10 days of necessary proof received. | 95.00% | 99.16% |
| 2. Initial request for additional information for Death and Dismemberment Claims within 7 days of receipt of notice. | 99.00% | 100.00% |
| 3. Applications approved/rejected within 7 days of receipt of completed form. | 99.00% | 100.00% |
| 4. Initial request for additional information for Evidence of Insurability within 7 days of receipt of completed application. | 99.00% | 100.00% |
| 5. Notification of disposition mailed to applicant within 7 days of receipt of necessary information. | 99.00% | 99.93% |
| 6. Initial request for additional information for Disability Claims within 7 days of receipt of claim. | 99.00% | 100.00% |
| 7. Final disposition of new Disability Claims within 10 days of receipt of necessary information. | 95.00% | 100.00% |
| 8. Final disposition of continuing Disability Claims within 10 days of receipt of necessary information. | 95.00% | 100.00% |
| 9. Life to Health remittances received by the 5 th day in the month's remittance. | 95.00% | 100.00% |

Group Life Insurance Report

July 18, 2016

Page 3

Securian managed 29,811 transactions subject to the nine performance standards in 2015, and achieved a total of 99.94% within the standard for those transactions.

Securian performs a biennial client satisfaction survey of participating employers with the goal of 90% satisfaction with overall service, processing of enrollments and evidence of insurability, processing of claims, and support and training. In 2014, Securian achieved results of 96% satisfaction on the above measurers. The client satisfaction survey is scheduled to be conducted in November 2016.

Staff will be at the Board meeting to answer any questions.

Attachment A: Securian Financial Experience Report (January 1, 2015 through December 31, 2015)

Attachment B: Securian State Recommendations

Attachment C: Securian Local Recommendations

FINANCIAL EXPERIENCE REPORT

State of Wisconsin – Group Insurance Board

January 1, 2015 through December 31, 2015

Policy Number: 2832

Submitted by

Minnesota Life Insurance Company



June 30, 2016

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

RE: EMPLOYEE LIFE INSURANCE PLAN
2015 POLICY YEAR HIGHLIGHTS

Ladies and Gentlemen:

This report presents the 2015 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 2015 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 19-33 for the State plan and on pages 47-59 for the local government plan.

STATE PLAN

PLAN GROWTH

- The total number of insured active employees decreased by over 500, while the number of insured retirees increased by over 1,300. On December 31, 2015, over 49,000 active employees, plus over 29,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents increased by 2% to over \$10.7 billion. (Pages 5 and 13)

CLAIMS

- In 2015, the employee plan had an excellent result, driven by low disability and accidental death claims. (Pages 6, 7, 14 and 15)
- Claims on the spouse and dependent plan were lower than target. (Page 11)

OTHER BENEFITS

- In April 2010, the Board approved the addition of an aviation AD&D benefit for work related accidental deaths. The 2015 policy year is the fifth in which a separate experience calculation has been performed for that benefit. There were no claims for this benefit in 2015. (Page 9)

- 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 2015, a total of 215 retired State employees utilized this option, including 60 new elections in 2015 and 155 continuations of earlier elections. As of December 31, 2015, there were 158 retired State employees utilizing this option. Of these 158 retired employees, 124 employees used the account to pay health insurance premiums and 34 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 16 and 63)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 3.63%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2015 with funding of future benefits within an acceptable range. (Page 17)

LOCAL GOVERNMENT PLAN

PLAN GROWTH

- The plan continued its steady, modest growth. In 2015, five local government employers entered the plan, and no local government employers withdrew. Seven participating employers increased the benefits they offer to their employees. On December 31, 2015, a total of 734 local government employers participated.
- The total number of insured active employees increased by over 300, while the number of insured retirees increased by over 1,300. On December 31, 2015, over 73,000 active employees, plus over 41,000 retired employees, were insured under the plan. Total life insurance in force on active employees, retirees, spouses and dependents increased by 3% to \$11.7 billion. (Pages 35 and 41)

CLAIMS

- In 2015, the employee plan had an excellent result, driven by low death and disability claims. (Pages 36, 37, 42 and 43)
- Claims in 2015 on the spouse and dependent plan were lower than the current target level, which anticipates using the plan's reserves to cover excess claims. (Page 39)

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 three people used this option during 2015. (Pages 44 and 63)

FUNDING STATUS

- The overall average interest earnings rate on all reserve funds held for the plan was 3.55%. This result reflects a conservative investment strategy involving primarily high-grade corporate bonds and residential mortgages.
- The plan ended 2015 with funding of future benefits within an acceptable range. (Page 45)

Respectfully submitted,



Paul Rudeen, FSA
Vice President and Actuary
Group Insurance Division

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 2015 were as shown in the table on the following page.

GROUP LIFE INSURANCE PLANS

| <u>Attained</u> <u>Age</u> | <u>Monthly Premium per \$1,000 of Insurance</u> | | |
|-------------------------------|---|---------------------|-------------------|
| | <u>1-1-2015 through 12-31-2015</u> | | |
| | <u>Basic</u> | <u>Supplemental</u> | <u>Additional</u> |
| Under 30 | \$.04 | \$.04 | \$.06 |
| 30-34 | .04 | .04 | .06 |
| 35-39 | .04 | .04 | .06 |
| 40-44 | .06 | .06 | .09 |
| 45-49 | .10 | .10 | .15 |
| 50-54 | .16 | .16 | .24 |
| 55-59 | .22 | .22 | .33 |
| 60-64 | .30 | .30 | .45 |
| 65-69 | .39 | .39 | .59 |

Retired employees pay no further premiums. The State contributes premiums equal to 65.25% of employee contributions for basic insurance and 37.25% of employee contributions for supplemental insurance. These contributions are allocated to cover the cost of continuing the basic plan after retirement, to cover the State's portion of the cost of the basic and supplemental plans for active employees, and to cover the cost of the employer aviation AD&D insurance.

B. State of Wisconsin - Spouse and Dependent Insurance

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

An insured employee may elect either one or two units of coverage. Each unit provides \$10,000 of life insurance for an insured spouse and \$5,000 for each insured dependent child. During 2015, the monthly 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 2015 were as follows:

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

| <u>Attained Age</u> | <u>01-01-2015 through 12-31-2015</u> |
|-------------------------|--------------------------------------|
| Under 30 | .05 |
| 30-34 | .06 |
| 35-39 | .07 |
| 40-44 | .08 |
| 45-49 | .12 |
| 50-54 | .22 |
| 55-59 | .39 |
| 60-64 | .49 |
| 65-69 | .57 |

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 2015, the monthly premium was \$1.75 for each unit of coverage.

GROUP LIFE INSURANCE PLANS

E. Funding Status

The cost of insurance for retired employees is funded in advance by employer premium contributions and by dividends from the premiums paid by active employees. Each year the values of the plans' assets are compared to the present values of future benefit liabilities for retired employees and the present values of future benefits in excess of future premiums for active employees. The following table summarizes this comparison as of December 31, 2015:

| | State Plan | Local Government Employers Plan |
|---|--------------------|---------------------------------------|
| 1. Assets | | |
| a. Retiree Premium Deposit Fund | \$ 363,023,352 | \$ 197,480,756 |
| b. Active Premium Deposit Fund Available for Post-Retirement Funding | 11,580,344 | 11,446,930 |
| c. Contingent Liability Reserve | 0 | 45,987,286 |
| d. Active Stabilization Reserve Available for Post-Retirement Funding | <u>27,357,981</u> | <u>31,081,280</u> |
| e. Total | \$ 401,961,677 | \$ 285,996,252 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 296,144,682 | \$ 173,569,257 |
| b. Pre-Age 65 Retirees | 63,938,958 | 43,537,026 |
| c. Active Employees | <u>183,313,314</u> | <u>49,099,708</u> |
| d. Total | \$ 543,396,954 | \$ 266,205,991 |
| 3. Unfunded Accrued Liability (2d - 1e) | \$ 141,435,277 | \$ (19,790,261) |
| 4. Total Assets as a Percent of Total Liabilities (1e / 2d) | 74.0% | 107.4% |

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 2015.

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 2015, the fifty-eighth year of the plan.

A. Employee Coverage

| | <u>12-31-2014</u> | <u>12-31-2015</u> |
|---|-------------------|-------------------|
| 1. Employees Insured for Pre-Retirement Insurance | | |
| Basic Plan | 49,683 | 49,096 |
| Supplemental Plan | 35,352 | 34,804 |
| Additional Plan | 24,334 | 24,128 |
| 2. Pre-Retirement Life and AD&D Insurance | | |
| Basic Plan | \$ 2,949,671,000 | \$ 2,990,237,000 |
| Supplemental Plan | 2,143,765,000 | 2,167,914,000 |
| Additional Plan | 3,358,591,000 | 3,455,386,000 |

B. Spouse and Dependent Coverage

| | | |
|--|----------------|----------------|
| 1. Employees Insured | 23,478 | 23,309 |
| 2. Estimated Spouse and Dependent Life Insurance | \$ 570,825,000 | \$ 566,585,000 |

*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 | \$ 4,705,868 | |
| Supplemental Plan | 3,423,191 | |
| Additional Plan | 7,146,887 | |
| Spouse and Dependent Plan | <u>1,204,063</u> | |
| | | \$ 16,480,009 |

State Contributions

| | | |
|---------------------------------|---------------|---------------------|
| Basic Plan | \$ 1,647,053 | |
| Supplemental Plan | 1,198,117 | |
| Basic Aviation AD&D Plan | 105,882 | |
| Supplemental Aviation AD&D Plan | <u>77,022</u> | |
| | | \$ <u>3,028,074</u> |

Total Premium

\$ 19,508,083

D. Employee Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|----------------|-----------------------|------------------------------|----------------------------|---------------|
| Life | \$ 3,951,579 | \$ 2,844,399 | \$ 3,641,164 | \$ 10,437,142 |
| AD&D | 17,870 | 26,549 | 1,021 | 45,440 |
| Living Benefit | 319,000 | 319,000 | 453,000 | 1,091,000 |
| Disability | <u>(172,960)</u> | <u>(34,840)</u> | <u>213,870</u> | <u>6,070</u> |
| Total | \$ 4,115,489 | \$ 3,155,108 | \$ 4,309,055 | \$ 11,579,652 |

E. Employer Aviation AD&D Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|-------|-----------------------|------------------------------|----------------------------|--------------|
| AD&D | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| Total | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

F. Spouse and Dependent Claims

| | <u>Spouse</u> | <u>Dependent</u> | | <u>Total</u> |
|----------------|---------------|------------------|--|--------------|
| Life | \$ 816,488 | \$ 70,320 | | \$ 886,808 |
| Living Benefit | <u>0</u> | <u>0</u> | | <u>0</u> |
| Total | \$ 816,488 | \$ 70,320 | | \$ 886,808 |

STATE OF WISCONSIN

G. Financial Experience - Active Employee Insurance

1. Premium

| | | |
|------------------------|------------------|---------------|
| Employee Contributions | \$ 15,275,946 | |
| Employer Contributions | <u>2,845,170</u> | |
| Total Premium | | \$ 18,121,116 |

2. Claim Charges

| | | |
|--------------------------------------|---------------|---------------|
| Death Claims | \$ 10,437,142 | |
| AD&D Claims | 45,440 | |
| Living Benefit Claims | 1,091,000 | |
| Increase in Disability Claim Reserve | 6,070 | |
| Pooled Claims | (77,934) | |
| Pool Charge | 1,254,801 | |
| Conversion Charge | 44,820 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 12,801,339 |

3. Expense Charges

| | | |
|-------------------------|------------|------------|
| Minnesota Life Expenses | \$ 758,369 | |
| Reinsurance Expense | 3,255 | |
| Risk Charge | <u>0</u> | |
| Total Expense Charges | | \$ 761,624 |

4. Tax Charges

| | | |
|--------------------|--------------|------------|
| State Premium Tax | \$ 362,422 | |
| Federal Income Tax | <u>6,885</u> | |
| Total Tax Charges | | \$ 369,307 |

5. Interest Credits/Charges

| | | |
|---|-----------------|--------------|
| On Premium | \$ 99,031 | |
| On Disability Claim Reserve | 1,094,059 | |
| On Claims Paid | (45,822) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(13,145)</u> | |
| Total Interest Credits/Charges | | \$ 1,134,123 |

6. State Internal Administration Expense

\$ 198,529

7. Audit/Consultant Service Charge

\$ 0

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

\$ 5,124,440

STATE OF WISCONSIN

H. Reserve Summary

1. Premium Deposit Fund

| | | |
|---------------------------|----|------------|
| Balance on 12-31-2014 | \$ | 11,168,671 |
| Interest Credit | | 411,673 |
| Withdrawals on 12-31-2015 | | <u>0</u> |
| Balance on 12-31-2015 | \$ | 11,580,344 |

2. Stabilization Reserve

| | | |
|----------------------------|----|------------|
| Balance on 12-31-2014 | \$ | 30,250,604 |
| Interest Credit | | 1,043,495 |
| Contribution on 12-31-2015 | | 5,124,440 |
| Withdrawals on 12-31-2015 | | <u>0</u> |
| Balance on 12-31-2015 | \$ | 36,418,539 |

Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2015 3.51%

I. Stop-Loss Calculation for Active Employee Insurance

| | | |
|--------------------------|----|------------------|
| Stop-Loss Limit | \$ | 25,390,593 |
| Claim Charges | \$ | 12,796,591 |
| Expense Charges | | <u>1,124,046</u> |
| Total Charges | \$ | 13,920,637 |
| Catastrophic Loss Credit | \$ | 0 |

STATE OF WISCONSIN

J. Financial Experience - Employer Aviation AD&D Insurance

| | | |
|--|-----------------|---------------|
| 1. Premium | | \$ 182,904 |
| 2. Claim Charges | | |
| AD&D Claims | \$ 0 | |
| Pooled Claims | 0 | |
| Pool Charge | 12,405 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 12,405 |
| 3. Expense Charges | | |
| Risk Charge | \$ <u>1,235</u> | |
| Total Expense Charges | | \$ 1,235 |
| 4. Tax Charges | | |
| State Premium Tax | \$ <u>3,658</u> | |
| Total Tax Charges | | \$ 3,658 |
| 5. Interest Credits/Charges | | |
| On Premium | \$ 1,002 | |
| On Claims Paid | 0 | |
| On Expense Charges & Tax Charges | <u>(86)</u> | |
| Total Interest Credits/Charges | | \$ 916 |
| 6. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)] | | \$ 166,522 |
| 7. Stabilization Reserve | | |
| Stabilization Reserve on 12-31-2014 | | \$ 629,317 |
| Addition to Reserve on 12-31-2015 | | 166,522 |
| Interest on Stabilization Reserve in 2015 | | <u>17,961</u> |
| Stabilization Reserve on 12-31-2015 | | \$ 813,800 |

STATE OF WISCONSIN

K. Financial Experience - Spouse and Dependent Insurance

| | | |
|--|--------------|---------------|
| 1. Premium | | \$ 1,204,063 |
| 2. Claim Charges | | |
| Death Claims | \$ 886,808 | |
| Living Benefit Claims | 0 | |
| Conversion Charge | 15,600 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 902,408 |
| 3. Expense Charges | | |
| Minnesota Life Expenses | \$ 22,275 | |
| Risk Charge | <u>2,408</u> | |
| Total Expense Charges | | \$ 24,683 |
| 4. Tax Charges | | |
| State Premium Tax | \$ 24,081 | |
| Federal Income Tax | <u>644</u> | |
| Total Tax Charges | | \$ 24,725 |
| 5. Interest Credits/Charges | | |
| On Premium | \$ 6,632 | |
| On Claims Paid | (2,841) | |
| On Expense Charges & Conversion Charge | <u>(515)</u> | |
| Total Interest Credits/Charges | | \$ 3,276 |
| 6. State Internal Administration Expense | | \$ 38,029 |
| 7. Audit/Consultant Service Charge | | \$ 0 |
| 8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] | | \$ 217,494 |
| 9. Stabilization Reserve | | |
| Stabilization Reserve on 12-31-2014 | | \$ 366,156 |
| Addition to Reserve on 12-31-2015 | | 217,494 |
| Interest on Stabilization Reserve in 2015 | | <u>11,647</u> |
| Stabilization Reserve on 12-31-2015 | | \$ 595,297 |

L. Stop-Loss Calculation for Spouse and Dependent Insurance

| | | |
|--------------------------|--|---------------|
| Stop-Loss Limit | | \$ 1,565,281 |
| Claim Charges | | 836,669 |
| Expense Charges | | <u>48,764</u> |
| Total Charges | | \$ 885,433 |
| Catastrophic Loss Credit | | \$ 0 |

STATE OF WISCONSIN

III. State of Wisconsin Plan - Retirees*

Report on operations for 2015, the fifty-eighth year of the plan.

A. Retiree Coverage

| | <u>12-31-2014</u> | <u>12-31-2015</u> |
|---|-------------------|-------------------|
| 1. Retirees Insured for Pre-Age 65 Insurance | | |
| Basic Plan | 6,969 | 7,098 |
| Supplemental Plan | 4,606 | 4,637 |
| Additional Plan | 1,903 | 1,992 |
| 2. Pre-Age 65 Life and AD&D Insurance | | |
| Basic Plan | \$ 442,634,000 | \$ 459,561,000 |
| Supplemental Plan | 287,845,000 | 294,806,000 |
| Additional Plan | 204,505,000 | 218,465,000 |
| 3. Retirees Insured for Post-Age 65 Insurance | 21,168 | 22,396 |
| 4. Post-Age 65 Life Insurance | \$ 581,764,582 | \$ 628,842,832 |

*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 | \$ 1,706,341 | |
| Supplemental Plan | 1,202,380 | |
| Additional Plan | <u>491,641</u> | |
| | | \$ 3,400,362 |
| State Contributions to Premium Deposit Fund | | \$ 1,317,549 |
| Total Premium | | \$ 4,717,911 |

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 | \$ 1,679,271 | \$ 1,157,616 | \$ 1,027,579 | \$ 3,864,466 |
| AD&D | 0 | 0 | 0 | 0 |
| Living Benefit | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 1,679,271 | \$ 1,157,616 | \$ 1,027,579 | \$ 3,864,466 |
| 2. Post-Age 65 Life Insurance | | | | |
| Life | \$ 14,179,633 | | | \$ 14,179,633 |
| Living Benefit | <u>20,000</u> | | | <u>20,000</u> |
| Total | \$ 14,199,633 | | | \$ 14,199,633 |

STATE OF WISCONSIN

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

| | | |
|--|----------------|--------------|
| Pre-Age 65 Contributions | \$ 3,400,362 | |
| Withdrawal from Premium Deposit Fund on 12-31-2015 | 876,403 | |
| | <u>876,403</u> | |
| Total Premium | | \$ 4,276,765 |

2. Claim Charges

| | | |
|--------------------------|--------------|--------------|
| Death Claims | \$ 3,864,466 | |
| AD&D Claims | 0 | |
| Living Benefit Claims | 0 | |
| Pooled Claims | (15,007) | |
| Pool Charge | 105,318 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | 0 | |
| | <u>0</u> | |
| Total Claim Charges | | \$ 3,954,777 |

3. Expense Charges

| | | |
|-------------------------|------------|------------|
| Minnesota Life Expenses | \$ 197,445 | |
| Reinsurance Expense | 847 | |
| Risk Charge | 0 | |
| | <u>0</u> | |
| Total Expense Charges | | \$ 198,292 |

4. Tax Charges

| | | |
|--------------------|------------|-----------|
| State Premium Tax | \$ 85,535 | |
| Federal Income Tax | 761 | |
| | <u>761</u> | |
| Total Tax Charges | | \$ 86,296 |

5. Interest Credits/Charges

| | | |
|---|----------------|----------|
| On Premium | \$ 22,207 | |
| On Claims Paid | (16,991) | |
| On Expense Charges, Pool Charge & Conversion Charge | (2,152) | |
| | <u>(2,152)</u> | |
| Total Interest Credits/Charges | | \$ 3,064 |

6. State Internal Administration Expense \$ 40,464

7. Actuarial Service Charge \$ 0

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 12-31-2014 | \$ | 364,891,996 |
| Contributions for Active Employees During 2015 | | 1,317,549 |
| Withdrawal on 12-31-2015 for Pre-Age 65 Retiree Insurance | | (876,403) |
| Post-Age 65 Death Claims | | (14,199,633) |
| Minnesota Life Expenses on Post-Age 65 Retiree Death Claims | | (236,323) |
| State Premium Tax | | (294,938) |
| Risk Charge | | (16,007) |
| Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums | | (852,928) |
| Interest on Premium Deposit Fund in 2015 | | <u>13,290,039</u> |
| Premium Deposit Fund on 12-31-2015 | \$ | 363,023,352 |

| | | |
|---|--|-------|
| Interest Rate on Premium Deposit Fund Reserve in 2015 | | 3.70% |
|---|--|-------|

STATE OF WISCONSIN

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

| | <u>2014</u> | <u>2015</u> |
|---|--------------------|--------------------|
| 1. Assets | | |
| a. Retiree Premium Deposit Fund | \$ 364,891,996 | \$ 363,023,352 |
| b. Active Premium Deposit Fund Available for Post-Retirement Funding | 11,168,671 | 11,580,344 |
| c. Contingent Liability Reserve | 0 | 0 |
| d. Active Stabilization Reserve Available for Post-Retirement Funding | <u>21,399,759</u> | <u>27,357,981</u> |
| e. Total | \$ 397,460,426 | \$ 401,961,677 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 269,797,552 | \$ 296,144,682 |
| b. Pre-Age 65 Retirees | 61,843,110 | 63,938,958 |
| c. Active Employees | <u>188,553,687</u> | <u>183,313,314</u> |
| d. Total | \$ 520,194,349 | \$ 543,396,954 |
| 3. Unfunded Accrued Liability [2(d) - 1(e)] | \$ 122,733,923 | \$ 141,435,277 |
| 4. Total Assets as a Percent of Total Liabilities [1(e)/2(d)] | 76.4% | 74.0% |

Definitions of asset values:

- Retiree Premium Deposit Fund: total retiree premium deposit fund assets
- Active Premium Deposit Fund Available for Post-Retirement Funding: active premium deposit fund assets in excess of the active target reserve level. The target level of active premium deposit fund plus active stabilization reserve equals 50% of active plan premium.
- Contingent Liability Reserve: total contingent liability reserve assets
- Active Stabilization Reserve Available for Post-Retirement Funding: active stabilization reserve assets in excess of the active target reserve level. The target level of active premium deposit fund plus active stabilization reserve equals 50% of active plan premium.

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 values of future active employment claims and future post-retirement claims for active employees minus present values of future State and employee premium contributions

Funding Assumptions appear on page 61 of this report.

G. Stop-Loss Calculation for Retiree Insurance

| | |
|--------------------------|----------------|
| Stop-Loss Limit | \$ 26,452,401 |
| Claim Charges | \$ 18,149,644 |
| Expense Charges | <u>831,095</u> |
| Total Charges | \$ 18,980,739 |
| Catastrophic Loss Credit | \$ 0 |

STATE OF WISCONSIN

IV. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2015

| | | |
|--|---------------|----------------|
| Employee Contributions | | \$ 121,948,443 |
| State Contributions | | |
| Basic Plan | \$ 13,875,593 | |
| Supplemental Plan | 9,967,164 | |
| | | 23,842,757 |
| Total Premium | | \$ 145,791,200 |
| Reserve Brought Forward on January 1, 2008 | | \$ 8,057,225 |
| Death Claims | \$ 88,333,028 | |
| AD&D Claims | 6,134,164 | |
| Living Benefit Claims | 5,200,000 | |
| Increase in Disability Claim Reserve | 9,394,323 | |
| Pooled Claims | (507,038) | |
| Pool Charge | 5,672,100 | |
| Conversion Charge | 98,100 | |
| Catastrophic Loss Credit | 0 | |
| | | |
| Total Claim Charges | | \$ 114,324,677 |
| Premium Deposit Fund on 12-31-2015 | \$ 11,580,344 | |
| Stabilization Reserve on 12-31-2015 | 36,418,539 | |
| | | |
| Total | | \$ 47,998,883 |
| Payments to State | | |
| State Premium Tax | \$ 2,915,825 | |
| State Internal Administration Expense | 1,700,311 | |
| Actuarial Service Charge | 0 | |
| Audit/Consultant Service Charge | 9,177 | |
| Legal Expense | 0 | |
| | | |
| Total | | \$ 4,625,313 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008 | | \$ 13,100,448 |
| Minnesota Life Expenses | \$ 5,628,164 | |
| Reinsurance Expense | 24,587 | |
| Risk Charge | 117,026 | |
| Federal Income Tax Charge | 213,832 | |
| | | |
| Total | \$ 5,983,609 | |
| Interest Credited to Plan | 19,084,057 | |
| Interest Credited to Plan Less Cost | | \$ 13,100,448 |

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> | |
| 2015 | 8,613,537,000 | \$15,275,946 | \$1,647,053 | \$1,198,117 | \$18,121,116 |
| 2014 | 8,452,027,000 | 14,891,956 | 1,624,221 | 1,185,512 | 17,701,689 |
| 2013 | 8,181,289,000 | 14,270,577 | 1,570,301 | 1,148,173 | 16,989,051 |
| 2012 | 7,809,378,000 | 13,858,600 | 1,542,392 | 1,131,700 | 16,532,692 |
| 2011 | 7,884,065,000 | 15,323,502 | 1,887,488 | 1,130,589 | 18,341,579 |
| 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 | | \$121,948,443 | \$13,875,593 | \$9,967,164 | \$145,791,200 |

Claims

| <u>Year</u> | <u>Death Losses</u> | | | <u>Living Benefits</u> | <u>Disability Losses</u> | <u>Total Claims</u> |
|-------------|---------------------|-----------------|------------------|----------------------------|------------------------------|-------------------------|
| | <u>Life</u> | <u>AD&D</u> | <u>Total</u> | | | |
| 2015 | \$10,437,142 | \$45,440 | \$10,482,582 | \$1,091,000 | \$6,070 | \$11,579,652 |
| 2014 | 9,502,514 | 1,221,893 | 10,724,407 | 767,000 | 1,512,237 | 13,003,644 |
| 2013 | 12,685,738 | 158,866 | 12,844,604 | 215,000 | 322,717 | 13,382,321 |
| 2012 | 12,293,688 | 1,176,864 | 13,470,552 | 1,185,000 | 1,342,529 | 15,998,081 |
| 2011 | 12,844,361 | 994,280 | 13,838,641 | 1,191,000 | 1,184,198 | 16,213,839 |
| 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 | \$88,333,028 | \$6,134,164 | \$94,467,192 | \$5,200,000 | \$9,394,323 | \$109,061,515 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2015 | \$11,579,652 | \$44,820 | (\$77,934) | \$1,254,801 | \$12,801,339 |
| 2014 | 13,003,644 | 30,300 | (4,392) | 903,382 | 13,932,934 |
| 2013 | 13,382,321 | 8,700 | (20,911) | 731,188 | 14,101,298 |
| 2012 | 15,998,081 | 14,280 | 13,466 | 728,305 | 16,754,132 |
| 2011 | 16,213,839 | 0 | (417,267) | 662,830 | 16,459,402 |
| 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 | \$109,061,515 | \$98,100 | (\$507,038) | \$5,672,100 | \$114,324,677 |

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 | | | |
| 2015 | \$758,369 | \$3,255 | \$0 | \$362,422 | \$6,885 | \$1,130,931 | \$198,529 | \$0 | \$40,064 |
| 2014 | 740,816 | 3,179 | 0 | 354,034 | 6,541 | 1,104,570 | 515,107 | 0 | 40,569 |
| 2013 | 710,992 | 3,051 | 0 | 339,781 | 3,025 | 1,056,849 | 0 | 0 | 39,815 |
| 2012 | 676,289 | 2,888 | 0 | 330,654 | 1,791 | 1,011,622 | 225,516 | 0 | 23,343 |
| 2011 | 715,322 | 3,023 | 0 | 366,832 | 26,714 | 1,111,891 | 263,769 | 3,062 | 65,019 |
| 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 | \$5,628,164 | \$24,587 | \$117,026 | \$2,915,825 | \$213,832 | \$8,899,434 | \$1,700,311 | \$9,177 | \$690,854 |

| Year | Reserves | | | |
|------|-----------------------|--------------------------|----------------------------|--------------|
| | Disability Reserve | Stabilization Reserve | Premium Deposit Fund | Total |
| 2015 | \$30,352,406 | \$36,418,539 | \$11,580,344 | \$78,351,289 |
| 2014 | 30,346,336 | 30,250,604 | 11,168,671 | 71,765,611 |
| 2013 | 28,834,099 | 26,006,603 | 10,752,168 | 65,592,870 |
| 2012 | 28,511,382 | 22,123,903 | 10,326,781 | 60,962,066 |
| 2011 | 27,168,853 | 21,512,559 | 9,895,287 | 58,576,699 |
| 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 |
| 2015 | \$1,094,059 | \$1,043,495 | \$411,673 | \$2,549,227 |
| 2014 | 1,105,436 | 948,918 | 416,503 | 2,470,857 |
| 2013 | 1,151,615 | 860,366 | 425,387 | 2,437,368 |
| 2012 | 1,176,622 | 869,957 | 431,494 | 2,478,073 |
| 2011 | 1,222,715 | 818,146 | 447,655 | 2,488,516 |
| 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 | \$9,446,277 | \$5,423,807 | \$3,523,119 | \$18,393,203 |

STATE OF WISCONSIN

C. Cumulative Financial Experience on Employer Aviation AD&D Insurance - 2011 through 2015

| | | |
|--|------------------|------------|
| Employer Contribution | | \$ 850,611 |
| AD&D Claims | \$ 0 | |
| Pooled Claims | 0 | |
| Pool Charge | 62,025 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 62,025 |
| Stabilization Reserve on 12-31-2015 | | \$ 813,800 |
| Payments to State | | |
| State Premium Tax | \$ <u>17,012</u> | |
| Total | | \$ 17,012 |
| Payment from Stabilization Reserve for Premiums | | \$ 0 |
| Excess of Disbursement and Reserves over Premium | | \$ 42,226 |
| Risk Charge | \$ <u>5,742</u> | |
| Total | \$ 5,742 | |
| Interest Credited to Plan | <u>47,968</u> | |
| Interest Credited to Plan Less Cost | | \$ 42,226 |

STATE OF WISCONSIN

D. Historical Statistics - Employer Aviation AD&D Insurance

| <u>Year</u> | <u>Employer Contributions</u> | <u>Death Losses</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------------|---------------------|----------------------|--------------------|----------------------------|
| 2015 | \$182,904 | \$0 | \$0 | \$12,405 | \$12,405 |
| 2014 | 180,626 | 0 | 0 | 12,405 | 12,405 |
| 2013 | 174,759 | 0 | 0 | 12,405 | 12,405 |
| 2012 | 171,906 | 0 | 0 | 12,405 | 12,405 |
| 2011 | <u>140,416</u> | <u>0</u> | <u>0</u> | <u>12,405</u> | <u>12,405</u> |
| Totals | \$850,611 | \$0 | \$0 | \$62,025 | \$62,025 |

| <u>Year</u> | <u>Overhead Cost</u> | | | |
|-------------|----------------------|---------------------------------|--------------------------|--------------|
| | <u>Risk Charge</u> | <u>Catastrophic Loss Credit</u> | <u>State Premium Tax</u> | <u>Total</u> |
| 2015 | \$1,235 | \$0 | \$3,658 | \$4,893 |
| 2014 | 1,219 | 0 | 3,613 | 4,832 |
| 2013 | 1,180 | 0 | 3,495 | 4,675 |
| 2012 | 1,160 | 0 | 3,438 | 4,598 |
| 2011 | <u>948</u> | <u>0</u> | <u>2,808</u> | <u>3,756</u> |
| Totals | \$5,742 | \$0 | \$17,012 | \$22,754 |

| <u>Year</u> | <u>Interest Credits</u> | | |
|-------------|------------------------------|---------------------------------|-------------------------------------|
| | <u>Stabilization Reserve</u> | <u>On Stabilization Reserve</u> | <u>Current Premium Less Charges</u> |
| 2015 | \$813,800 | \$17,961 | \$916 |
| 2014 | 629,317 | 13,058 | 902 |
| 2013 | 451,968 | 8,266 | 867 |
| 2012 | 285,156 | 4,352 | 857 |
| 2011 | 125,044 | <u>0</u> | <u>789</u> |
| Totals | | \$43,637 | \$4,331 |

STATE OF WISCONSIN

E. Cumulative Financial Experience on Spouse and Dependent Insurance - 1981 through 2015

| | | |
|--|------------------|---------------|
| Employee Contribution | | \$ 31,487,110 |
| Death Claims | \$ 29,666,542 | |
| Living Benefit Claims | 130,000 | |
| Conversion Charge | 243,075 | |
| Catastrophic Loss Credit | <u>(313,347)</u> | |
| Total Claim Charges | | \$ 29,726,270 |
| Stabilization Reserve on 12-31-2015 | | \$ 595,297 |
| Payments to State | | |
| State Premium Tax | \$ 629,743 | |
| State Internal Administration Expense | 1,264,946 | |
| Audit/Consultant Service Charge | <u>15,767</u> | |
| Total | | \$ 1,910,456 |
| Payment from Stabilization Reserve for Premiums | | \$ 35,399 |
| Excess of Disbursement and Reserves over Premium | | \$ 780,312 |
| Minnesota Life Expenses | \$ 572,734 | |
| Risk Charge | 56,004 | |
| Federal Income Tax Charge | <u>65,375</u> | |
| Total | \$ 694,113 | |
| Interest Credited to Plan | <u>1,474,425</u> | |
| Interest Credited to Plan Less Cost | | \$ 780,312 |

STATE OF WISCONSIN

F. 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> |
|-------------|-------------------------------|---------------------|------------------------|-------------------------|----------------------------|
| 2015 | \$1,204,063 | \$886,808 | \$0 | \$15,600 | \$902,408 |
| 2014 | 1,216,922 | 1,071,247 | 20,000 | 15,120 | 1,106,367 |
| 2013 | 1,221,519 | 1,308,985 | 20,000 | 5,340 | 1,334,325 |
| 2012 | 1,233,041 | 1,027,236 | 0 | 7,200 | 1,034,436 |
| 2011 | 1,275,001 | 1,241,135 | 20,000 | 1,200 | 1,262,335 |
| 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 |
| 1981- 2005 | <u>19,945,884</u> | <u>18,795,781</u> | <u>30,000</u> | <u>198,615</u> | <u>19,024,396</u> |
| Total | \$31,487,110 | \$29,666,542 | \$130,000 | \$243,075 | \$30,039,617 |

Overhead Cost

| <u>Year</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> | <u>State Internal Administration Expense</u> | <u>Audit/ Consultant Charge</u> |
|-------------|----------------------------------|--------------------|---------------------------------|--------------------------|---------------------------|----------------|--|---------------------------------|
| 2015 | \$22,275 | \$2,408 | \$0 | \$24,081 | \$644 | \$49,408 | \$38,029 | \$0 |
| 2014 | 22,513 | 2,434 | 0 | 24,338 | 961 | 50,246 | 113,603 | 0 |
| 2013 | 22,598 | 2,443 | 0 | 24,430 | 1,048 | 50,519 | 0 | 0 |
| 2012 | 22,811 | 2,466 | 0 | 24,661 | 1,108 | 51,046 | 52,096 | 0 |
| 2011 | 23,588 | 2,550 | 0 | 25,500 | 1,595 | 53,233 | 69,352 | 221 |
| 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 |
| 1981- 2005 | <u>339,918</u> | <u>32,922</u> | <u>(313,347)</u> | <u>398,920</u> | <u>60,292</u> | <u>518,705</u> | <u>790,678</u> | <u>13,203</u> |
| Total | \$572,734 | \$56,004 | (\$313,347) | \$629,743 | \$65,375 | \$1,010,509 | \$1,264,946 | \$15,767 |

Interest Credits

| <u>Year</u> | <u>Insurance In Force At End of Year</u> | <u>Stabilization Reserve</u> | <u>On Stabilization Reserve</u> | <u>Current Premium Less Charges</u> |
|-------------|--|------------------------------|---------------------------------|-------------------------------------|
| 2015 | \$566,585,000 | \$595,297 | \$11,647 | \$3,276 |
| 2014 | 570,825,000 | 366,156 | 13,328 | 1,186 |
| 2013 | 562,840,000 | 404,936 | 18,683 | 1,354 |
| 2012 | 561,610,000 | 548,224 | 17,311 | 2,006 |
| 2011 | 567,755,000 | 433,444 | 24,058 | 1,695 |
| 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 |
| 1981- 2005 | <u>582,575,000</u> | <u>749,932</u> | <u>1,074,811</u> | <u>111,618</u> |
| Total | | | \$1,332,540 | \$141,885 |

STATE OF WISCONSIN

G. Cumulative Financial Experience on Retiree Insurance - 2008 through 2015

| | | |
|--|--------------------|-------------------|
| Retiree Contributions | | \$ 27,786,550 |
| State Contributions | | <u>11,096,306</u> |
| Total Premium | | \$ 38,882,856 |
| Reserve Brought Forward on January 1, 2008 | | \$ 329,768,061 |
| Death Claims | \$ 122,864,931 | |
| AD&D Claims | 1,046,649 | |
| Living Benefit Claims | 131,250 | |
| Pooled Claims | (15,007) | |
| Pool Charge | 502,208 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 124,530,031 |
| Contingent Liability Reserve on 12-31-2015 | \$ 0 | |
| Premium Deposit Fund on 12-31-2015 | <u>363,023,352</u> | |
| Total | | \$ 363,023,352 |
| Payments to State | | |
| State Premium Tax | \$ 2,620,898 | |
| State Internal Administration Expense | 320,787 | |
| Actuarial Service Charge | <u>138,740</u> | |
| Total | | \$ 3,080,425 |
| Withdrawals of Postretirement Life Insurance Values to Pay Health and Long-Term Care Insurance Premiums | | \$ 4,838,138 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008 | | \$ 126,821,029 |
| Minnesota Life Expenses | \$ 3,000,941 | |
| Reinsurance Expense | 6,569 | |
| Risk Charge | 216,980 | |
| Federal Income Tax Charge | <u>59,316</u> | |
| Total | \$ 3,283,806 | |
| Interest Credited to Plan | <u>130,104,835</u> | |
| Interest Credited to Plan Less Cost | | \$ 126,821,029 |

STATE OF WISCONSIN

H. Historical Statistics - Retiree Insurance - 2008 and Later

| <u>Year</u> | <u>Insurance In Force at End of Year</u> | | <u>Premium</u> | | |
|-------------|--|--------------------|---|---|----------------------|
| | <u>Pre-Age 65</u> | <u>Post-Age 65</u> | <u>Pre-Age 65 Retiree Contributions</u> | <u>State Contributions for Active Employees</u> | <u>Total Premium</u> |
| | 2015 | 972,832,000 | 628,842,832 | \$3,400,362 | \$1,317,549 |
| 2014 | 934,984,000 | 581,764,582 | 3,356,082 | 1,299,230 | 4,655,312 |
| 2013 | 957,904,000 | 536,245,750 | 3,485,410 | 1,254,575 | 4,739,985 |
| 2012 | 1,002,851,000 | 493,214,250 | 3,741,193 | 1,231,835 | 4,973,028 |
| 2011 | 1,049,228,000 | 449,896,500 | 3,803,006 | 1,509,822 | 5,312,828 |
| 2010 | 807,734,000 | 396,600,250 | 3,531,803 | 1,563,881 | 5,095,684 |
| 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 | | | \$27,786,550 | \$11,096,306 | \$38,882,856 |

Claims

| <u>Year</u> | <u>Death Losses</u> | | | | <u>Pre-Age 65 Living Benefits</u> | <u>Post-Age 65 Living Benefits</u> | <u>Total Claims</u> |
|-------------|------------------------|----------------------------|--------------------------|-------------------|-----------------------------------|------------------------------------|---------------------|
| | <u>Pre-Age 65 Life</u> | <u>Pre-Age 65 AD&D</u> | <u>Post -Age 65 Life</u> | <u>Total</u> | | | |
| 2015 | \$3,864,466 | \$0 | \$14,179,633 | \$18,044,099 | \$0 | \$20,000 | \$18,064,099 |
| 2014 | 3,740,124 | 92,172 | 14,772,467 | 18,604,763 | 0 | 24,500 | 18,629,263 |
| 2013 | 4,492,915 | 125,384 | 12,894,445 | 17,512,744 | 0 | 17,000 | 17,529,744 |
| 2012 | 4,842,877 | 82,782 | 12,039,820 | 16,965,479 | 0 | 0 | 16,965,479 |
| 2011 | 3,904,690 | 290,730 | 9,880,703 | 14,076,123 | 0 | 0 | 14,076,123 |
| 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 | \$30,637,282 | \$1,046,649 | \$92,227,649 | \$123,911,580 | \$0 | \$131,250 | \$124,042,830 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|---------------------|--------------------------|----------------------|--------------------|----------------------------|
| 2015 | \$18,064,099 | \$0 | (\$15,007) | \$105,318 | \$18,154,410 |
| 2014 | 18,629,263 | 0 | 0 | 91,464 | 18,720,727 |
| 2013 | 17,529,744 | 0 | 0 | 75,289 | 17,605,033 |
| 2012 | 16,965,479 | 0 | 0 | 70,191 | 17,035,670 |
| 2011 | 14,076,123 | 0 | 0 | 59,925 | 14,136,048 |
| 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 | \$124,042,830 | \$0 | (\$15,007) | \$502,208 | \$124,530,031 |

STATE OF WISCONSIN

H. 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 | | | |
| 2015 | \$433,768 | \$847 | \$16,007 | \$380,473 | \$761 | \$831,856 | \$0 | \$40,464 | \$3,064 |
| 2014 | 430,059 | 836 | 15,476 | 393,878 | 1,385 | 841,634 | 36,000 | 104,989 | 9,514 |
| 2013 | 407,919 | 851 | 14,631 | 368,093 | 3,239 | 794,733 | 12,000 | 0 | 7,098 |
| 2012 | 397,630 | 868 | 14,728 | 357,523 | 6,785 | 777,534 | 22,000 | 45,964 | 4,922 |
| 2011 | 373,492 | 875 | 100,229 | 299,388 | 12,431 | 786,415 | 0 | 53,761 | 6,767 |
| 2010 | 341,652 | 806 | 22,142 | 295,725 | 12,331 | 672,656 | 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> | <u>0</u> | <u>15,954</u> |
| Totals | \$3,000,941 | \$6,569 | \$216,980 | \$2,620,898 | \$59,316 | \$5,904,704 | \$138,740 | \$320,787 | \$85,164 |

| Year | Reserves | | |
|------|------------------------------|----------------------|---------------|
| | Contingent Liability Reserve | Premium Deposit Fund | Total |
| 2015 | \$0 | \$363,023,352 | \$363,023,352 |
| 2014 | 0 | 364,891,996 | 364,891,996 |
| 2013 | 0 | 366,652,383 | 366,652,383 |
| 2012 | 0 | 366,110,007 | 366,110,007 |
| 2011 | 0 | 363,777,660 | 363,777,660 |
| 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 | |
| 2015 | \$0 | \$13,290,039 | \$13,290,039 | \$852,928 |
| 2014 | 0 | 14,036,549 | 14,036,549 | 758,413 |
| 2013 | 0 | 14,923,289 | 14,923,289 | 716,230 |
| 2012 | 0 | 15,739,647 | 15,739,647 | 504,082 |
| 2011 | 0 | 16,791,512 | 16,791,512 | 586,579 |
| 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 | \$128,895,892 | \$130,019,671 | \$4,838,138 |

STATE OF WISCONSIN

I. 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 | 36,340,802 | |
| | | 118,731,281 |
| 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 | 0 | |
| | | |
| Total Claim Charges | | \$ 445,203,873 |
| | | |
| Contingent Liability Reserve on 12-31-2007 | \$ 14,533,673 | |
| Premium Deposit Fund on 12-31-2007 | 323,291,613 | |
| | | |
| 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 | 39,790 | |
| | | |
| 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 | 971,199 | |
| | | |
| Total | | \$ 13,567,561 |
| | | |
| Interest Credited to Plan | | 395,060,011 |
| Interest Credited to Plan Less Cost | | \$ 381,492,450 |

STATE OF WISCONSIN

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

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

Claims

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

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

STATE OF WISCONSIN

J. 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 |

WISCONSIN LOCAL GOVERNMENTS

V. Wisconsin Local Government Plan - Active Employees*

Report on operations for 2015, the fifty-sixth year of the plan.

A. Employee Coverage

| | <u>12-31-2014</u> | <u>12-31-2015</u> |
|---|-------------------|-------------------|
| 1. Employees Insured for Pre-Retirement Insurance (1) | | |
| Basic Plan | 72,879 | 73,266 |
| Supplemental Plan | 24,337 | 25,062 |
| Additional Plan | 32,248 | 32,340 |
| 2. Pre-Retirement Life and AD&D Insurance (1) | | |
| Basic Plan | \$ 3,779,000,000 | \$ 3,876,531,000 |
| Supplemental Plan | 1,338,848,000 | 1,410,186,000 |
| Additional Plan | 3,953,776,000 | 4,082,008,000 |

B. Spouse and Dependent Coverage

| | | |
|--|----------------|----------------|
| 1. Employees Insured | 33,117 | 33,230 |
| 2. Estimated Spouse and Dependent Life Insurance | \$ 805,950,000 | \$ 807,400,000 |

*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 | \$ 6,337,060 | |
| Supplemental Plan | 2,601,235 | |
| Additional Plan | 7,081,410 | |
| Spouse and Dependent Plan | <u>1,196,318</u> | \$ 17,216,023 |

Employer Contributions to Premium

| | | |
|-------------------|---------------|------------------|
| Basic Plan | \$ 1,675,751 | |
| Supplemental Plan | <u>18,363</u> | <u>1,694,114</u> |
| Total Premium | | \$ 18,910,137 |

D. Employee Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|----------------|-----------------------|------------------------------|----------------------------|----------------|
| Life | \$ 4,326,289 | \$ 1,466,475 | \$ 4,942,560 | \$ 10,735,324 |
| AD&D | 319,824 | 85,132 | 523,591 | 928,547 |
| Living Benefit | 399,000 | 260,000 | 496,000 | 1,155,000 |
| Disability | <u>2,337</u> | <u>161,804</u> | <u>446,794</u> | <u>610,935</u> |
| Total | \$ 5,047,450 | \$ 1,973,411 | \$ 6,408,945 | \$ 13,429,806 |

E. Spouse and Dependent Claims

| | <u>Spouse</u> | <u>Dependent</u> | |
|----------------|---------------|------------------|---------------|
| Life | \$ 961,344 | \$ 90,135 | \$ 1,051,479 |
| Living Benefit | <u>10,000</u> | <u>0</u> | <u>10,000</u> |
| Total | \$ 971,344 | \$ 90,135 | \$ 1,061,479 |

WISCONSIN LOCAL GOVERNMENTS

F. Financial Experience - Active Employee Insurance

1. Premium

| | | |
|------------------------|------------------|-------------------|
| Employee Contributions | \$ 16,019,705 | |
| Employer Contributions | <u>1,694,114</u> | |
| Total Premium | | \$ 17,713,819 |

2. Claim Charges

| | | |
|--------------------------------------|---------------|-------------------|
| Death Claims | \$ 10,735,324 | |
| AD&D Claims | 928,547 | |
| Living Benefit Claims | 1,155,000 | |
| Pooled Claims | (54,822) | |
| Pool Charge | 122,637 | |
| Increase in Disability Claim Reserve | 610,935 | |
| Conversion Charge | 26,100 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 13,523,721 |

3. Expense Charges

| | | |
|---------------------------|--------------|------------------|
| Minnesota Life Expenses | \$ 1,423,482 | |
| Reinsurance Expense | 3,156 | |
| Risk Charge | <u>0</u> | |
| Total Expense Charges | | \$ 1,426,638 |

4. Tax Charges

| | | |
|-----------------------|--------------|----------------|
| State Premium Tax | \$ 354,276 | |
| Federal Income Tax | <u>8,548</u> | |
| Total Tax Charges | | \$ 362,824 |

5. Interest Credits/Charges

| | | |
|---|-----------------|----------------|
| On Premium | \$ 101,441 | |
| On Disability Claim Reserve | 845,921 | |
| On Claims Paid | (52,192) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(10,683)</u> | |
| Total Interest Credits/Charges | | \$ 884,487 |

6. State Internal Administration Expense \$ 198,529

7. Audit/Consultant Service Charge \$ 0

8. Contribution to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] \$ 3,086,594

WISCONSIN LOCAL GOVERNMENTS

G. Reserve Summary

1. Premium Deposit Fund

| | | |
|---------------------------|----|------------|
| Balance on 12-31-2014 | \$ | 11,053,067 |
| Interest Credit | | 393,863 |
| Withdrawals on 12-31-2015 | | <u>0</u> |
| Balance on 12-31-2015 | \$ | 11,446,930 |

2. Stabilization Reserve

| | | |
|----------------------------|----|------------|
| Balance on 12-31-2014 | \$ | 35,701,886 |
| Interest Credit | | 1,149,709 |
| Contribution on 12-31-2015 | | 3,086,594 |
| Withdrawals on 12-31-2015 | | <u>0</u> |
| Balance on 12-31-2015 | \$ | 39,938,189 |

| | | |
|---|--|-------|
| Interest Rate on Premium Deposit Fund and Stabilization Reserve in 2015 | | 3.30% |
|---|--|-------|

H. Stop-Loss Calculation for Active Employee Insurance

| | | |
|--------------------------|----|------------------|
| Stop-Loss Limit | \$ | 23,202,430 |
| Claim Charges | \$ | 13,680,380 |
| Expense Charges | | <u>1,780,914</u> |
| Total Charges | \$ | 15,461,294 |
| Catastrophic Loss Credit | \$ | 0 |

WISCONSIN LOCAL GOVERNMENTS

I. Financial Experience - Spouse and Dependent Insurance

| | | |
|--|----------------|---------------|
| 1. Premium | | \$ 1,196,318 |
| 2. Claim Charges | | |
| Death Claims | \$ 1,051,479 | |
| Living Benefit Claims | 10,000 | |
| Conversion Charge | <u>4,500</u> | |
| Total Claim Charges | | \$ 1,065,979 |
| 3. Expense Charges | | |
| Minnesota Life Expenses | \$ 63,405 | |
| Risk Charge | <u>2,393</u> | |
| Total Expense Charges | | \$ 65,798 |
| 4. Tax Charges | | |
| State Premium Tax | \$ 23,926 | |
| Federal Income Tax | <u>(1,408)</u> | |
| Total Tax Charges | | \$ 22,518 |
| 5. Interest Credits/Charges | | |
| On Premium | \$ 6,960 | |
| On Claims Paid | (4,479) | |
| On Expense Charges & Conversion Charge | <u>(654)</u> | |
| Total Interest Credits/Charges | | \$ 1,827 |
| 6. State Internal Administration Expense | | \$ 38,028 |
| 7. Audit/Consultant Service Charge | | \$ 0 |
| 8. Addition to Stabilization Reserve [(1)-(2)-(3)-(4)+(5)-(6)-(7)] | | \$ 5,822 |
| 9. Stabilization Reserve | | |
| Stabilization Reserve on 12-31-2014 | | \$ 1,462,810 |
| Addition to Reserve on 12-31-2015 | | 5,822 |
| Interest on Stabilization Reserve in 2015 | | <u>55,221</u> |
| Stabilization Reserve on 12-31-2015 | | \$ 1,523,853 |

J. Stop-Loss Calculation for Spouse and Dependent Insurance

| | | |
|--------------------------|--|---------------|
| Stop-Loss Limit | | \$ 1,734,662 |
| Claim Charges | | 1,035,691 |
| Expense Charges | | <u>89,724</u> |
| Total Charges | | \$ 1,125,415 |
| Catastrophic Loss Credit | | \$ 0 |

WISCONSIN LOCAL GOVERNMENTS

VI. Wisconsin Local Government Plan - Retirees*

Report on operations for 2015, the fifty-sixth year of the plan.

A. Retiree Coverage

| | <u>12-31-2014</u> | <u>12-31-2015</u> |
|---|-------------------|-------------------|
| 1. Retirees Insured for Pre-Age 65 Insurance | | |
| Basic Plan | 11,008 | 10,821 |
| Supplemental Plan | 1,951 | 2,003 |
| Additional Plan | 2,993 | 3,015 |
| 2. Pre-Age 65 Life and AD&D Insurance | | |
| Basic Plan | \$ 661,538,000 | \$ 660,932,000 |
| Supplemental Plan | 119,161,000 | 124,315,000 |
| Additional Plan | 310,110,000 | 326,987,000 |
| 3. Retirees Insured for Post-Age 65 Insurance | 28,634 | 30,209 |
| 4. Post-Age 65 Insurance | \$ 401,638,500 | \$ 433,244,500 |

*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 | \$ 4,303,409 | |
| Supplemental Plan | 295,556 | |
| Additional Plan | <u>910,632</u> | \$ 5,509,597 |

Employer Contributions to Premium Deposit Fund \$ 1,818,885

Total Premium \$ 7,328,482

C. Retiree Claims

| | <u>Basic Plan</u> | <u>Supplemental Plan</u> | <u>Additional Plan</u> | <u>Total</u> |
|--|-----------------------|------------------------------|----------------------------|---------------|
| 1. Pre-Age 65 Life and AD&D Insurance | | | | |
| Life | \$ 2,730,128 | \$ 478,647 | \$ 2,237,352 | \$ 5,446,127 |
| AD&D | 100,830 | 48,691 | 146,074 | 295,595 |
| Living Benefit | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$ 2,830,958 | \$ 527,338 | \$ 2,383,426 | \$ 5,741,722 |
| 2. Post-Age 65 Life Insurance | | | | |
| Life | \$ 8,624,236 | | | \$ 8,624,236 |
| Living Benefit | <u>80,750</u> | | | <u>80,750</u> |
| Total | \$ 8,704,986 | | | \$ 8,704,986 |

WISCONSIN LOCAL GOVERNMENTS

D. Financial Experience - Pre-Age 65 Retiree Insurance

1. Premium

| | | |
|--|------------------|------------------|
| Pre-Age 65 Contributions | \$ 5,509,597 | |
| Withdrawal from Premium Deposit Fund on 12-31-2015 | <u>1,033,544</u> | |
| Total Premium | | \$ 6,543,141 |

2. Claim Charges

| | | |
|--------------------------|--------------|------------------|
| Death Claims | \$ 5,446,127 | |
| AD&D Claims | 295,595 | |
| Living Benefit Claims | 0 | |
| Pooled Claims | 0 | |
| Pool Charge | 16,096 | |
| Conversion Charge | 0 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 5,757,818 |

3. Expense Charges

| | | |
|---------------------------|--------------|----------------|
| Minnesota Life Expenses | \$ 588,916 | |
| Reinsurance Expense | 1,306 | |
| Risk Charge | <u>4,251</u> | |
| Total Expense Charges | | \$ 594,473 |

4. Tax Charges

| | | |
|-----------------------|---------------|----------------|
| State Premium Tax | \$ 130,863 | |
| Federal Income Tax | <u>13,478</u> | |
| Total Tax Charges | | \$ 144,341 |

5. Interest Credits/Charges

| | | |
|---|----------------|--------------|
| On Premium | \$ 33,510 | |
| On Claims Paid | (21,231) | |
| On Expense Charges, Pool Charge & Conversion Charge | <u>(4,048)</u> | |
| Total Interest Credits/Charges | | \$ 8,231 |

6. State Internal Administration Expense \$ 54,740

7. Actuarial Service Charge \$ 0

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 12-31-2014 | \$ | 189,909,860 |
| Contributions for Active Employees During 2015 | | 1,818,885 |
| Withdrawals on 12-31-2015 | | (1,033,544) |
| Withdrawals of Postretirement Life Insurance Values to pay Health and Long-Term Care Insurance Premiums | | 0 |
| Interest on Premium Deposit Fund in 2015 | | <u>6,785,555</u> |
| Premium Deposit Fund on 12-31-2015 | \$ | 197,480,756 |

2. Contingent Liability Reserve

| | | |
|--|----|------------------|
| Contingent Liability Reserve on 12-31-2014 | \$ | 53,223,215 |
| Contributions on 12-31-2015 | | 0 |
| Post-Age 65 Death Claims | | (8,704,986) |
| Minnesota Life Expenses | | (304,073) |
| State Premium Tax | | (183,987) |
| Risk Charge | | (6,321) |
| Interest on Contingent Liability Reserve in 2015 | | <u>1,963,438</u> |
| Contingent Liability Reserve on 12-31-2015 | \$ | 45,987,286 |

| | | |
|--|--|-------|
| Interest Rate on Premium Deposit Fund and Contingent Liability Reserve in 2015 | | 3.64% |
|--|--|-------|

WISCONSIN LOCAL GOVERNMENTS

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

| | <u>2014</u> | <u>2015</u> |
|---|-------------------|-------------------|
| 1. Assets | | |
| a. Retiree Premium Deposit Fund | \$ 189,909,860 | \$ 197,480,756 |
| b. Active Premium Deposit Fund Available for Post-Retirement Funding | 11,053,067 | 11,446,930 |
| c. Contingent Liability Reserve | 53,223,215 | 45,987,286 |
| d. Active Stabilization Reserve Available for Post-Retirement Funding | <u>27,109,592</u> | <u>31,081,280</u> |
| e. Total | \$ 281,295,734 | \$ 285,996,252 |
| 2. Liabilities | | |
| a. Post-Age 65 Retirees | \$ 156,106,106 | \$ 173,569,257 |
| b. Pre-Age 65 Retirees | 42,740,671 | 43,537,026 |
| c. Active Employees | <u>42,068,768</u> | <u>49,099,708</u> |
| d. Total | \$ 240,915,545 | \$ 266,205,991 |
| 3. Unfunded Accrued Liability [2(d) - 1(e)] | \$ (40,380,189) | \$ (19,790,261) |
| 4. Total Assets as a Percent of Total Liabilities [1(e)/2(d)] | 116.8% | 107.4% |

Definitions of asset values:

- Retiree Premium Deposit Fund: total retiree premium deposit fund assets
- Active Premium Deposit Fund Available for Post-Retirement Funding: active premium deposit fund assets in excess of the active target reserve level. The target level of active premium deposit fund plus active stabilization reserve equals 50% of active plan premium.
- Contingent Liability Reserve: total contingent liability reserve assets
- Active Stabilization Reserve Available for Post-Retirement Funding: active stabilization reserve assets in excess of the active target reserve level. The target level of active premium deposit fund plus active stabilization reserve equals 50% of active plan premium.

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 values of future active employment claims and future post-retirement claims for active employees minus present values of future State and employee premium contributions

Funding Assumptions appear on page 61 of this report.

G. Stop-Loss Calculation for Retiree Insurance

| | |
|--------------------------|------------------|
| Stop-Loss Limit | \$ 19,309,774 |
| Claim Charges | \$ 14,399,575 |
| Expense Charges | <u>1,219,717</u> |
| Total Charges | \$ 15,619,292 |
| Catastrophic Loss Credit | \$ 0 |

WISCONSIN LOCAL GOVERNMENTS

VII. Historical Experience

A. Cumulative Financial Experience on Active Employee Insurance - 2008 through 2015

| | | |
|--|-------------------|-------------------|
| Employee Contributions | | \$ 127,976,000 |
| Employer Contributions | | <u>11,550,364</u> |
| Total Premium | | \$ 139,526,364 |
| Reserve Brought Forward on January 1, 2008 | | \$ 7,995,249 |
| Death Claims | \$ 78,475,774 | |
| AD&D Claims | 6,658,555 | |
| Living Benefit Claims | 4,558,000 | |
| Increase in Disability Claim Reserve | 7,082,436 | |
| Pooled Claims | (136,944) | |
| Pool Charge | 499,690 | |
| Conversion Charge | 89,160 | |
| Catastrophic Loss Credit | <u>0</u> | |
| Total Claim Charges | | \$ 97,226,671 |
| Premium Deposit Fund on 12-31-2015 | \$ 11,446,930 | |
| Stabilization Reserve on 12-31-2015 | <u>39,938,189</u> | |
| Total | | \$ 51,385,119 |
| Payments to State | | |
| State Premium Tax | \$ 2,790,528 | |
| State Internal Administration Expense | 1,700,311 | |
| Actuarial Service Charge | 0 | |
| Audit/Consultant Service Charge | 13,444 | |
| Research Survey Cost | <u>0</u> | |
| Total | | \$ 4,504,283 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008 | | \$ 5,594,460 |
| Minnesota Life Expenses | \$ 10,580,438 | |
| Reinsurance Expense | 23,534 | |
| Risk Charge | 80,806 | |
| Catastrophic Loss | 0 | |
| Federal Income Tax Charge | <u>229,390</u> | |
| Total | | \$ 10,914,168 |
| Interest Credited to Plan | | <u>16,508,628</u> |
| Interest Credited to Plan Less Cost | | \$ 5,594,460 |

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> |
| 2015 | \$9,368,725,000 | \$16,019,705 | \$1,694,114 | \$17,713,819 |
| 2014 | 9,071,624,000 | 15,627,511 | 1,557,078 | 17,184,589 |
| 2013 | 8,808,111,000 | 15,302,736 | 1,537,139 | 16,839,875 |
| 2012 | 8,309,500,000 | 15,569,667 | 1,555,163 | 17,124,830 |
| 2011 | 8,654,114,000 | 16,740,728 | 1,408,259 | 18,148,987 |
| 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 | | \$127,976,000 | \$11,550,364 | \$139,526,364 |

Claims

Death Losses

| <u>Year</u> | <u>Life</u> | <u>AD&D</u> | <u>Total</u> | <u>Living Benefits</u> | <u>Disability Losses</u> | <u>Total Claims</u> |
|-------------|-------------------|------------------|-------------------|----------------------------|------------------------------|-------------------------|
| 2015 | \$10,735,324 | \$928,547 | \$11,663,871 | \$1,155,000 | \$610,935 | \$13,429,806 |
| 2014 | 9,319,278 | 841,742 | 10,161,020 | 908,000 | 1,484,178 | 12,553,198 |
| 2013 | 10,259,826 | 1,040,611 | 11,300,437 | 0 | 6,079 | 11,306,516 |
| 2012 | 8,753,139 | 674,179 | 9,427,318 | 642,000 | 1,174,943 | 11,244,261 |
| 2011 | 8,835,570 | 674,431 | 9,510,001 | 68,000 | 1,215,476 | 10,793,477 |
| 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 | \$78,475,774 | \$6,658,555 | \$85,134,329 | \$4,558,000 | \$7,082,436 | \$96,774,765 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2015 | \$13,429,806 | \$26,100 | (\$54,822) | \$122,637 | \$13,523,721 |
| 2014 | 12,553,198 | 0 | 387 | 84,519 | 12,638,104 |
| 2013 | 11,306,516 | 600 | (2,331) | 73,447 | 11,378,232 |
| 2012 | 11,244,261 | 6,900 | 0 | 71,793 | 11,322,954 |
| 2011 | 10,793,477 | 17,040 | (80,178) | 55,483 | 10,785,822 |
| 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> |
| Totals | \$96,774,765 | \$89,160 | (\$136,944) | \$499,690 | \$97,226,671 |

WISCONSIN LOCAL GOVERNMENTS

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

| Year | Overhead Costs | | | | | | State Internal Administration Expense | Audit/ Consultant Service Charge | Interest Credits/ Charges |
|--------|---------------------------------|------------------------|----------------|-------------------------|--------------------------|------------------|---|---|---------------------------------|
| | Insurance Company Expense | Reinsurance Expense | Risk Charge | State Premium Tax | Federal Income Tax | Total | | | |
| 2015 | \$1,423,482 | \$3,156 | \$0 | \$354,276 | \$8,548 | \$1,789,462 | \$198,529 | \$0 | \$38,566 |
| 2014 | 1,380,953 | 3,061 | 0 | 343,692 | 7,381 | 1,735,087 | 515,107 | 0 | 44,679 |
| 2013 | 1,321,269 | 2,890 | 0 | 336,798 | 8,552 | 1,669,509 | 0 | 0 | 47,584 |
| 2012 | 1,310,049 | 2,822 | 0 | 342,497 | 17,592 | 1,672,960 | 225,516 | 0 | 51,340 |
| 2011 | 1,388,398 | 2,991 | 0 | 362,980 | 36,880 | 1,791,249 | 263,769 | 5,239 | 87,014 |
| 2010 | 1,329,765 | 3,078 | 24,714 | 365,334 | 47,967 | 1,770,858 | 190,230 | 5,955 | 98,413 |
| 2009 | 1,255,064 | 2,849 | 31,721 | 351,411 | 50,468 | 1,691,513 | 180,736 | 2,250 | 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>0</u> | <u>130,121</u> |
| Totals | \$10,580,438 | \$23,534 | \$80,806 | \$2,790,528 | \$229,390 | \$13,704,696 | \$1,700,311 | \$13,444 | \$645,667 |

| Year | Reserves | | | |
|------|-----------------------|--------------------------|----------------------------|--------------|
| | Disability Reserve | Stabilization Reserve | Premium Deposit Fund | Total |
| 2015 | \$24,233,584 | \$39,938,189 | \$11,446,930 | \$75,618,703 |
| 2014 | 23,622,649 | 35,701,886 | 11,053,067 | 70,377,602 |
| 2013 | 22,138,471 | 31,467,384 | 10,651,475 | 64,257,330 |
| 2012 | 22,132,392 | 25,834,701 | 10,238,389 | 58,205,482 |
| 2011 | 20,957,449 | 20,189,994 | 9,813,308 | 50,960,751 |
| 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 |

| Year | Interest Credits on Reserves | | | |
|--------|------------------------------|--------------------------|----------------------------|------------------|
| | Disability Reserve | Stabilization Reserve | Premium Deposit Fund | Total |
| 2015 | \$845,921 | \$1,149,709 | \$393,863 | \$2,389,493 |
| 2014 | 842,622 | 1,050,910 | 401,592 | 2,295,124 |
| 2013 | 887,019 | 905,946 | 413,086 | 2,206,051 |
| 2012 | 904,315 | 785,652 | 425,081 | 2,115,048 |
| 2011 | 935,213 | 572,680 | 442,147 | 1,950,040 |
| 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 | \$7,367,453 | \$5,043,827 | \$3,451,681 | \$15,862,961 |

WISCONSIN LOCAL GOVERNMENTS

C. Cumulative Financial Experience on Spouse and Dependent Insurance - 1983 through 2015

| | | |
|--|------------------|---------------|
| Employee Contribution | | \$ 40,512,429 |
| Death Claims | \$ 37,494,171 | |
| Living Benefit Claims | 215,000 | |
| Conversion Charge | <u>323,145</u> | |
| Total Claim Charges | | \$ 38,032,316 |
| Stabilization Reserve on 12-31-2015 | | \$ 1,523,853 |
| Payments to State | | |
| State Premium Tax | \$ 810,250 | |
| State Internal Administration Expense | 1,209,624 | |
| Audit/Consultant Service Charge | <u>16,000</u> | |
| Total | | \$ 2,035,874 |
| Payment from Stabilization Reserve for Premiums | | \$ 41,392 |
| Excess of Disbursement and Reserves over Premium | | \$ 1,121,006 |
| Minnesota Life Expenses | \$ 1,716,883 | |
| Risk Charge | 75,300 | |
| Federal Income Tax Charge | <u>68,398</u> | |
| Total | \$ 1,860,581 | |
| Interest Credited to Plan | <u>2,981,587</u> | |
| Interest Credited to Plan Less Cost | | \$ 1,121,006 |

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> |
|-------------|-------------------------------|---------------------|------------------------|-------------------------|----------------------------|
| 2015 | \$1,196,318 | \$1,051,479 | \$10,000 | \$4,500 | \$1,065,979 |
| 2014 | 1,208,721 | 1,245,796 | 20,000 | 2,700 | 1,268,496 |
| 2013 | 1,216,332 | 1,330,896 | 20,000 | 2,160 | 1,353,056 |
| 2012 | 1,248,127 | 1,180,227 | 0 | 14,400 | 1,194,627 |
| 2011 | 1,297,655 | 1,631,968 | 0 | 22,200 | 1,654,168 |
| 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 |
| 1983- 2005 | <u>27,416,250</u> | <u>23,446,890</u> | <u>80,000</u> | <u>215,085</u> | <u>23,741,975</u> |
| Total | \$40,512,429 | \$37,494,171 | \$215,000 | \$323,145 | \$38,032,316 |

| <u>Year</u> | <u>Insurance Company</u> | | <u>State Premium</u> | <u>Federal Income</u> | <u>Total</u> | <u>State Internal Administration</u> | <u>Audit/ Consultant</u> |
|-------------|--------------------------|--------------------|----------------------|-----------------------|------------------|--------------------------------------|--------------------------|
| | <u>Expense</u> | <u>Risk Charge</u> | <u>Tax</u> | <u>Tax</u> | | <u>Expense</u> | <u>Charge</u> |
| 2015 | \$63,405 | \$2,393 | \$23,926 | (\$1,408) | \$88,316 | \$38,028 | \$0 |
| 2014 | 64,062 | 2,417 | 24,174 | (1,569) | 89,084 | 113,603 | 0 |
| 2013 | 64,466 | 2,433 | 24,327 | (1,756) | 89,470 | 0 | 0 |
| 2012 | 66,151 | 2,496 | 24,963 | (1,637) | 91,973 | 52,095 | 0 |
| 2011 | 68,776 | 2,595 | 25,953 | (1,246) | 96,078 | 69,352 | 294 |
| 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 |
| 1983- 2005 | <u>1,036,977</u> | <u>49,108</u> | <u>548,326</u> | <u>84,833</u> | <u>1,719,244</u> | <u>735,358</u> | <u>13,203</u> |
| Total | \$1,716,883 | \$75,300 | \$810,250 | \$68,398 | \$2,670,831 | \$1,209,624 | \$16,000 |

| <u>Year</u> | <u>Insurance In Force At End of Year</u> | <u>Stabilization Reserve</u> | <u>On Stabilization Reserve</u> | <u>Current Premium Less Charges</u> |
|-------------|--|------------------------------|---------------------------------|-------------------------------------|
| | 2015 | \$807,400,000 | \$1,523,853 | \$55,221 |
| 2014 | 805,950,000 | 1,462,810 | 65,312 | 185 |
| 2013 | 810,265,000 | 1,659,775 | 76,939 | 1,253 |
| 2012 | 819,980,000 | 1,807,777 | 83,235 | 1,510 |
| 2011 | 852,035,000 | 1,813,600 | 107,302 | (1,396) |
| 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 |
| 1983- 2005 | 868,055,000 | 2,957,800 | <u>1,554,630</u> | <u>238,092</u> |
| Total | | | \$2,722,392 | \$259,195 |

WISCONSIN LOCAL GOVERNMENTS

E. Cumulative Financial Experience on Retiree Insurance - 2008 through 2015

| | | | |
|--|----|----|--------------------|
| Retiree Contributions | | \$ | 38,816,427 |
| Employer Contributions | | | <u>14,690,617</u> |
| Total Premium | | \$ | 53,507,044 |
| Reserve Brought Forward on January 1, 2008 | | \$ | 208,679,884 |
| Death Claims | \$ | | 90,592,405 |
| AD&D Claims | | | 2,558,173 |
| Living Benefit Claims | | | 201,500 |
| Pooled Claims | | | 0 |
| Pool Charge | | | 63,141 |
| Conversion Charge | | | 0 |
| Catastrophic Loss Credit | | | <u>0</u> |
| Total Claim Charges | | \$ | 93,415,219 |
| Contingent Liability Reserve on 12-31-2015 | \$ | | 45,987,286 |
| Premium Deposit Fund on 12-31-2015 | | | <u>197,480,756</u> |
| Total | | \$ | 243,468,042 |
| Payments to State | | | |
| State Premium Tax | \$ | | 2,049,717 |
| State Internal Administration Expense | | | 433,961 |
| Actuarial Service Charge | | | 115,870 |
| Audit/Consultant Service Charge | | | 0 |
| Research Survey Cost | | | <u>0</u> |
| Total | | \$ | 2,599,548 |
| Withdrawals of Postretirement Life Insurance Values to Pay Health Insurance Premiums | | \$ | 13,943 |
| Excess of Disbursement and Reserves Over Premium and Reserve Brought Forward on January 1, 2008 | | \$ | 77,309,824 |
| Minnesota Life Expenses | \$ | | 5,894,042 |
| Reinsurance Expense | | | 9,048 |
| Risk Charge | | | 132,227 |
| Catastrophic Loss | | | 0 |
| Federal Income Tax Charge | | | <u>148,095</u> |
| Total | \$ | | 6,183,412 |
| Interest Credited to Plan | | | <u>83,493,236</u> |
| Interest Credited to Plan Less Cost | | \$ | 77,309,824 |

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> | | | |
| 2015 | 1,112,234,000 | 433,244,500 | \$5,509,597 | \$1,818,885 | \$7,328,482 |
| 2014 | 1,090,809,000 | 401,638,500 | 5,459,554 | 1,776,490 | 7,236,044 |
| 2013 | 1,090,977,000 | 369,512,250 | 5,505,225 | 1,743,698 | 7,248,923 |
| 2012 | 1,020,957,000 | 339,426,250 | 5,400,091 | 1,814,635 | 7,214,726 |
| 2011 | 917,858,000 | 296,558,250 | 4,655,484 | 1,895,348 | 6,550,832 |
| 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 | | | \$38,816,427 | \$14,690,617 | \$53,507,044 |

Claims

| <u>Death Losses</u> | | | | | | | |
|---------------------|----------------------------|--------------------------------|------------------------------|------------------|---------------------------------------|--|-------------------------|
| <u>Year</u> | <u>Pre-Age 65 Life</u> | <u>Pre-Age 65 AD&D</u> | <u>Post -Age 65 Life</u> | <u>Total</u> | <u>Pre-Age 65 Living Benefits</u> | <u>Post-Age 65 Living Benefits</u> | <u>Total Claims</u> |
| 2015 | \$5,446,127 | \$295,595 | \$8,624,236 | \$14,365,958 | \$0 | \$80,750 | \$14,446,708 |
| 2014 | 3,875,731 | 626,749 | 7,337,281 | 11,839,761 | 0 | 0 | 11,839,761 |
| 2013 | 4,196,353 | 264,010 | 7,415,466 | 11,875,829 | 0 | 17,250 | 11,893,079 |
| 2012 | 4,950,514 | 113,582 | 6,588,265 | 11,652,361 | 0 | 13,000 | 11,665,361 |
| 2011 | 5,810,820 | 513,478 | 6,141,237 | 12,465,535 | 0 | 12,500 | 12,478,035 |
| 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 | \$38,556,092 | \$2,558,173 | \$52,036,313 | \$93,150,578 | \$0 | \$201,500 | \$93,352,078 |

| <u>Year</u> | <u>Total Claims</u> | <u>Conversion Charge</u> | <u>Pooled Claims</u> | <u>Pool Charge</u> | <u>Total Claim Charges</u> |
|-------------|-------------------------|------------------------------|--------------------------|------------------------|--------------------------------|
| 2015 | \$14,446,708 | \$0 | \$0 | \$16,096 | \$14,462,804 |
| 2014 | 11,839,761 | 0 | 0 | 13,199 | 11,852,960 |
| 2013 | 11,893,079 | 0 | 0 | 7,732 | 11,900,811 |
| 2012 | 11,665,361 | 0 | 0 | 8,896 | 11,674,257 |
| 2011 | 12,478,035 | 0 | 0 | 6,052 | 12,484,087 |
| 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 | \$93,352,078 | \$0 | \$0 | \$63,141 | \$93,415,219 |

WISCONSIN LOCAL GOVERNMENTS

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

| Year | Overhead Cost | | | | | | State Internal Administration Expense | Actuarial Service Charge | Interest Credits/ Charges |
|--------|---------------------------------|------------------------|----------------|-------------------------|--------------------------|----------------|---|--------------------------------|---------------------------------|
| | Insurance Company Expense | Reinsurance Expense | Risk Charge | State Premium Tax | Federal Income Tax | Total | | | |
| 2015 | \$892,989 | \$1,306 | \$10,572 | \$314,850 | \$13,478 | \$1,233,195 | \$54,740 | \$0 | \$8,231 |
| 2014 | 848,726 | 1,289 | 6,425 | 264,516 | 15,675 | 1,136,631 | 142,028 | 36,000 | 11,667 |
| 2013 | 828,185 | 1,244 | 20,021 | 267,149 | 19,318 | 1,135,917 | 0 | 12,000 | 11,576 |
| 2012 | 785,780 | 1,189 | 29,194 | 256,922 | 22,779 | 1,095,864 | 62,181 | 22,000 | 5,425 |
| 2011 | 713,181 | 1,079 | 30,153 | 271,532 | 19,193 | 1,035,138 | 72,728 | 0 | 12,776 |
| 2010 | 654,086 | 1,055 | 14,297 | 268,565 | 19,479 | 957,482 | 52,451 | 18,565 | 12,474 |
| 2009 | 612,443 | 968 | 9,505 | 205,157 | 19,697 | 847,770 | 49,833 | 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>0</u> | <u>27,305</u> | <u>16,703</u> |
| Totals | \$5,894,042 | \$9,048 | \$132,227 | \$2,049,717 | \$148,095 | \$8,233,129 | \$433,961 | \$115,870 | \$90,550 |

| Year | Reserves | | |
|------|------------------------------------|----------------------------|---------------|
| | Contingent Liability Reserve | Premium Deposit Fund | Total |
| 2015 | \$45,987,286 | \$197,480,756 | \$243,468,042 |
| 2014 | 53,223,215 | 189,909,860 | 243,133,075 |
| 2013 | 58,638,249 | 181,280,272 | 239,918,521 |
| 2012 | 63,563,611 | 172,545,902 | 236,109,513 |
| 2011 | 67,625,600 | 164,069,046 | 231,694,646 |
| 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 |

| Year | Interest Credits on Reserves | | | Withdrawals to Pay Health and LTC Premiums |
|--------|------------------------------------|----------------------------|-------------------|--|
| | Contingent Liability Reserve | Premium Deposit Fund | Total | |
| 2015 | \$1,963,438 | \$6,785,555 | \$8,748,993 | \$0 |
| 2014 | 2,281,364 | 6,863,358 | 9,144,722 | 10,260 |
| 2013 | 2,606,565 | 6,990,672 | 9,597,237 | 0 |
| 2012 | 2,921,314 | 7,127,704 | 10,049,018 | 0 |
| 2011 | 3,294,095 | 7,427,799 | 10,721,894 | 0 |
| 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 | \$25,116,127 | \$58,286,559 | \$83,402,686 | \$13,943 |

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

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

WISCONSIN LOCAL GOVERNMENTS

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

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

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

| Year | Reserves | | | Total |
|------|--------------------|------------------------------|----------------------|---------------|
| | 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 |

STATE OF WISCONSIN
AND 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 | 6.5 | 7.3 |
| 25 | 6.5 | 7.3 |
| 30 | 6.5 | 7.3 |
| 35 | 5.3 | 5.6 |
| 40 | 5.3 | 4.7 |
| 45 | 4.4 | 4.2 |
| 50 | 4.0 | 3.6 |
| 55 | 3.8 | 3.6 |
| 60 | 3.6 | 3.5 |
| 65 | 3.6 | 3.5 |

B. Annual employee withdrawal rates are as follows:

| | Withdrawals Per 1,000 | |
|------------|-----------------------|--------------|
| <u>Age</u> | <u>State</u> | <u>Local</u> |
| 20 | 174 | 180 |
| 25 | 174 | 180 |
| 30 | 88 | 74 |
| 35 | 57 | 45 |
| 40 | 27 | 21 |
| 45 | 22 | 18 |
| 50 | 18 | 15 |
| 55 | 17 | 15 |
| 60 | 17 | 15 |

C. Annual interest rates are projected portfolio rates, assuming new money rates grade to 5.75% in 0.50% per year increments, beginning with the 2015 new money rate of 2.69%.

D. Expected mortality and morbidity are based on studies of the actual experience of the plan during the years 2010 through 2014. Mortality and morbidity rates are expected to improve 2% per year through 2022. Premium contribution rates are assumed to remain at their current levels.

E. Annual accidental death rates of .12 deaths per thousand for State employees and .14 deaths per thousand for employees of participating public employers are assumed at all ages under 65. These rates are based on plan experience during 2010 through 2014.

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

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 2015, the twenty-first year of the benefit

| | <u>State Retirees</u> | <u>Local Retirees</u> |
|--|-----------------------|-----------------------|
| A. Number of Retirees Utilizing Benefit | | |
| 1. Utilization on December 31, 2014 | 155 | 3 |
| 2. Conversions Effective in 2015 | 60 | 0 |
| 3. Terminations During 2015 | | |
| a. Exhaustion of Conversion Account Balance | 54 | 1 |
| b. Death | 2 | 0 |
| c. Revocation of Conversion | 0 | 0 |
| d. Reversion to Life Insurance Plan Reserve | <u>2</u> | <u>0</u> |
| e. Total Terminations (a+b+c+d) | 58 | 1 |
| 4. Adjustments | 1 | 0 |
| 5. Utilization on December 31, 2015 (1+2-3e+4) | 158 | 2 |
| B. Conversion Account Activity | | |
| 1. Conversion Account Balances on December 31, 2014 | \$ 920,934.04 | \$ 10,054.30 |
| 2. Conversion Account Balances Established in 2015 | \$ 852,928.50 | \$ 0.00 |
| 3. Payments From Conversion Accounts During 2015 | | |
| a. Health Insurance Premiums | \$ 693,358.65 | \$ 7,402.60 |
| b. Long-term Care Insurance Premiums | 63,897.07 | 0.00 |
| c. Death Benefits | 17,325.27 | 0.00 |
| d. Revocation of Conversion | 0.00 | 0.00 |
| e. Reversion to Life Insurance Plan Reserve | 7.45 | 0.00 |
| f. Adjustments | (100.14) | 0.00 |
| g. Total Payments (a+b+c+d+e+f) | <u>\$ 774,488.30</u> | <u>\$ 7,402.60</u> |
| 4. Conversion Account Balances on December 31, 2015 (1+2-3g) | \$ 999,374.24 | \$ 2,651.70 |

STATE OF WISCONSIN
AND WISCONSIN LOCAL GOVERNMENTS

| | <u>State Retirees</u> | <u>Local Retirees</u> |
|---|-----------------------|-----------------------|
| C. Cumulative Number of Retirees Utilizing Benefit - 1995 through 2015 | | |
| 1. Conversions | 809 | 10 |
| 2. Terminations | | |
| a. Exhaustion of Conversion Account Balance | 605 | 9 |
| b. Death | 38 | 0 |
| c. Revocation of Conversion | 3 | 1 |
| d. Reversion to Life Insurance Plan Reserve | <u>9</u> | <u>0</u> |
| e. Total Terminations (a+b+c+d) | 655 | 10 |
| 3. Adjustments | 4 | 2 |
| 4. Utilization on December 31, 2015 (1-2e+3) | 158 | 2 |
| D. Cumulative Conversion Account Activity - 1995 through 2015 | | |
| 1. Conversion Account Balances Established | \$ 9,361,782.00 | \$ 70,252.50 |
| 2. Payments From Conversion Accounts | | |
| a. Health Insurance Premiums | \$ 7,095,688.75 | \$ 67,594.30 |
| b. Long-term Care Insurance Premiums | 1,017,634.08 | 0.00 |
| c. Death Benefits | 167,679.37 | 0.00 |
| d. Revocation of Conversion | 26,678.90 | 0.00 |
| e. Reversion to Life Insurance Plan Reserve | 55,209.12 | 0.00 |
| f. Adjustments | <u>(482.46)</u> | <u>6.50</u> |
| g. Total Payments (a+b+c+d+e+f) | \$ 8,362,407.76 | \$ 67,600.80 |
| 3. Conversion Account Balances on December 31, 2015 (1-2g) | \$ 999,374.24 | \$ 2,651.70 |

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 16, 2016

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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 May 1, 2012, when employee premium rates were decreased 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 2015 and the most recent three-year period were better than the targeted level. However, due to the continued low interest rate environment, and the pressure that places on funding of post-retirement life insurance benefits, we believe it is prudent to hold premium rates at their current levels for a period of time. This strategy will enable the premiums to cover anticipated claims and will allow for strengthening the reserves used to fund post-retirement life insurance benefits.

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 2017.

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, 2012. As discussed in the first section of this report, overall claims in recent years were lower than the experience on which the current rates are based.

Recommendation

Consistent with the recommended employee premium contribution rates for 2017, Minnesota Life recommends that stop-loss rates be maintained at their current level for 2017.

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND
DEPENDENTS OF STATE EMPLOYEES

Recent Claims Experience

Based on the decreasing size of the stabilization reserve balance, premium rates were increased to \$2.50 from \$2.00 effective March 1, 2010, with the goals of covering anticipated claim costs and strengthening the stabilization reserve.

2015 claim results were better than the targeted level. Overall, the most recent three-year result was at target.

Recommendation

Based on our analysis of recent experience, we recommend that spouse and dependent insurance benefits and premiums be continued at their current levels in 2017.

Submitted for Minnesota Life Insurance Company by:



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

August 16, 2016

APPENDIX

SUMMARY OF BENEFIT AND PREMIUM STRUCTURE

Employee Insurance

Basic Coverage:

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

Supplemental Coverage:

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

Additional Coverage:

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

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

Spouse and Dependent Insurance

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

| | |
|-----------------|----------|
| Spouse | \$10,000 |
| Dependent Child | 5,000 |

- Monthly premium is \$2.50 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.

Employer Aviation AD&D Insurance

- A loss under the standard definition of accidental death or dismemberment (AD&D) suffered by a State employee who is a pilot, crew member or passenger on an aircraft owned, operated or leased by a State employer and being used for business of the State employer is exempt from the non-commercial aviation limit to AD&D claims.
- Premium for this benefit is paid by the State in an amount equal to 2.25% of the active employee paid premium for Basic and Supplemental coverages.
- A financial experience calculation for this benefit is performed separately from the active employee life insurance benefit.

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 16, 2016

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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, 2013, 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 2015 and the most recent three-year period were better than the targeted level. However, due to the continued low interest rate environment, and the pressure that places on funding of post-retirement life insurance benefits, we believe it is prudent to hold premium rates at their current levels for a period of time. This strategy will enable the premiums to cover anticipated claims and will allow for strengthening the reserves used to fund post-retirement life insurance benefits.

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 2017.

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, 2013. As discussed in the first section of this report, overall claims in recent years were lower than the experience on which the current rates are based.

Recommendation

Consistent with the recommended employee premium contribution rates for 2017, Minnesota Life recommends that stop-loss rates be maintained at their current level for 2017.

BENEFITS AND PREMIUMS FOR INSURED SPOUSES AND
DEPENDENTS OF LOCAL GOVERNMENT EMPLOYEES

Recent Claims Experience

This plan maintains a stabilization reserve to provide financial stability as claims fluctuate from year to year. Because of good experience and interest earnings, the plan's stabilization reserve had grown to be in excess of the targeted reserve level. Based on the recent experience and the size of the stabilization reserve balance, premiums were reduced from \$2.00 to \$1.75 monthly for each unit of insurance effective July 1, 2007. It was anticipated that claims and expenses would exceed premiums at the reduced rate and the excess would be drawn from the stabilization reserve, the balance of which was large enough to provide this support for at least several years.

While 2015 claims results were at target, resulting in a slight increase to the stabilization reserve, recent years' experience is consistent with the pricing strategy of drawing down the stabilization reserve.

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 2017.

Submitted for Minnesota Life Insurance Company by:



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

August 16, 2016

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.