

Life Insurance Annual Report and Consolidation of Life Insurance Reserve Funds

Item 7A: Group Insurance Board

Tom Rasmussen, Life Insurance Plan Manager

Office of Strategic Health Policy





Action Needed

- ETF requests the Board approve the acceptance of the Securian Financial Group Annual Report

2018 Policy Year Highlights

State Plan

More than 84,000 covered lives
Increase of 597 lives from 2017

Total life insurance coverage is more than \$11.7 billion

Good 2018 experience

Valuation of 74.3%

Premium action recommendations:

- Increase active employee premium
- Reduction in spouse and dependent premium

2018 Policy Year Highlights

Local Plan

121,363 total lives covered

Very good experience

3-year total experience better than target adjusted for expected mortality improvement

Valuation of 115.7%

No recommended change in premium for 2020

Performance Guarantees

Quarterly Performance Standards

- Achieved higher than targeted goals in all nine standards
- 31,112 transactions
- Achieved overall performance standard score of 99.95%

Biennial Client Satisfaction Survey

- Fell below targeted goal for satisfaction with processing enrollments and Evidence of Insurability

State Plan Reserves

1.	Assets	Amount
a.	Retiree Premium Deposit Fund	\$343,983,569
b.	Active Premium Deposit Fund, Available for Post-Retirement Funding	\$12,749,998
c.	Contingent Liability Reserve	\$0
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$46,528,394
e.	Total	\$403,261,962

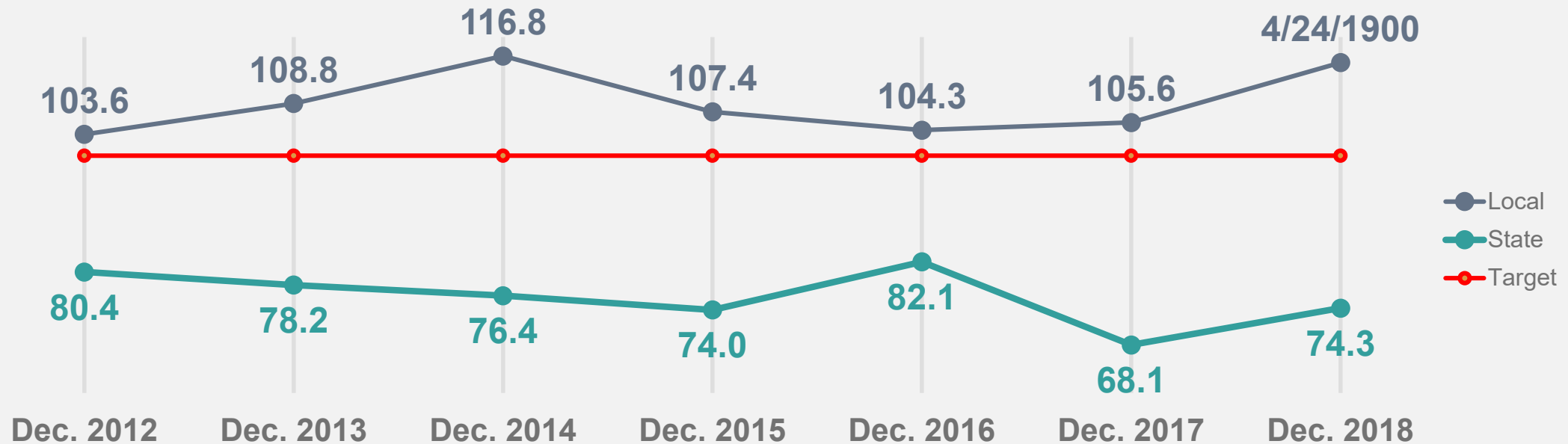
2.	Liabilities	Amount
a.	Post-Age 65 Retirees	\$376,201,098
b.	Pre-Age 65 Retirees	\$61,074,499
c.	Active Employees	\$105,434,448
d.	Total	\$542,710,045
3.	Unfunded Accrued Liability (2d-1e)	\$139,448,083
4.	Total Assets as a Percent of Total Liabilities	74.3%

Local Plan Reserves

1.	Assets	Amount	2.	Liabilities	Amount
a.	Retiree Premium Deposit Fund	\$221,815,396	a.	Post-Age 65 Retirees	\$228,744,866
b.	Active Premium Deposit Fund, Available for Post-Retirement Funding	\$12,564,716	b.	Pre-Age 65 Retirees	\$40,299,584
c.	Contingent Liability Reserve	\$23,082,838	c.	Active Employees	\$6,399,956
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$61,143,963	d.	Total	\$275,444,406
e.	Total	\$318,606,913	3.	Unfunded Accrued Liability (2d-1e)	(43,162,507)
			4.	Total Assets as a Percent of Total Liabilities	115.7%

Plan Valuation

Target Goal of 100%.



State of Wisconsin Valuation Funding Analysis
Assets as a Percentage of Net Liabilities (\$ Millions)



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Questions?



Action Needed

- ETF Requests the Board approve the consolidation of life insurance reserve funds

Plan Asset and Funding Structure

Active Employees

- The cost of Basic, Supplemental and Additional benefits is covered by premiums
- Securian guarantees the funding of these plans
- Benefits are paid first from the Stabilization reserve and second from the Active Premium Deposit Fund (PDF)

Retiree Life Benefits

- Cost of post-65 retiree benefits is supported by premiums paid by employers and by the pre-65 retirees
- Securian does not guarantee existing retiree life assets will be enough to cover future retiree benefits
- Benefits are paid first from the Contingent Liability Reserve (CLR) and second from the Retiree Premium Deposit Fund (Retiree PDF)

Plan Asset and Funding Structure

Active Employees

- The Stabilization Reserve is funded by experience from active employees with an interest credit on prior balance
- Active PDF is currently funded only by the interest credit on the prior balance

Retiree Life Benefits

- The CLR is funded by the experience credit from pre-65 retiree along with the interest credit on prior CLR balance
- The retiree PDF is funded by employer contributions on behalf of active employees and interest credits on prior PDF balance

Consolidation of Reserve Funds

- The agreement between the Board and Securian allows for funds to be transferred
- Milliman recommends and Securian agrees with the recommendation
- Action would not affect the overall funding
- Simplify the plan's experience reporting

Active Premium Deposit Fund (PDF)

Transfer funds in the Active PDF to the Retiree PDF and close the Active PDF

- Simplify the plan's experience reporting
- Result in a higher level of assets dedicated to the retiree life plan
- Provide improvement to the plan's GASB 74 and 75 funded ratio

State Plan Reserves

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c.	Contingent Liability Reserve	\$0	c.	Active Employees	\$105,434,448
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$46,528,394	d.	Total	\$542,710,045
e.	Total	\$403,261,962	3.	Unfunded Accrued Liability (2d-1e)	\$139,448,083
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c.	Contingent Liability Reserve	\$23,082,838	c.	Active Employees	\$6,399,956
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$61,143,963	d.	Total	\$275,444,406
e.	Total	\$318,606,913	3.	Unfunded Accrued Liability (2d-1e)	(43,162,507)
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State and Local Contingent Liability Reserve (CLR)

Close the State CLR

Close the Local CLR in the future when funds have been depleted

- Simplify experience reporting
- Amend the financial agreement to remove reference to the CLR

State Plan Reserves

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c.	Contingent Liability Reserve	\$0 (Close)
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$46,528,394
e.	Total	\$403,261,962

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b.	Active Premium Deposit Fund, Available for Post-Retirement Funding	\$12,564,716	b.	Pre-Age 65 Retirees	\$40,299,584
c.	Contingent Liability Reserve (Close when fund is fully depleted)	\$23,082,838	c.	Active employees	\$6,399,956
d.	Active Stabilization Reserve, available for Post-Retirement Funding	\$61,144,963	d.	Total	\$275,444,406
e.	Total	\$318,606,913	3.	Unfunded Accrued Liability (2d-1e)	(43,162,507)
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Action Needed

ETF requests the Board approve

- Transfer of funds in the Active PDF to the Retiree PDF and close the Active PDF
- Closing the State CLR



Questions?

Thank you



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