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Correspondence Memorandum

Date: May 2, 2021
To: Group Insurance Board
From: Eileen Mallow, Director
Office of Strategic Health Policy
Subject: LAB Report Findings Update

The Department of Employee Trust Funds (ETF) recommends the Board adopt the attached policy regarding annual review and application of reserves for the Group Life Insurance Program and the WPE.

Background

During its 2018 review of the Group Health Insurance program, the Legislative Audit Bureau (LAB) issued 30 findings for improved oversight and administration of the program. In a follow up report released in February 2021, the LAB noted that five findings had not been implemented and one that was not able to be implemented until 2021. Of those five outstanding findings, three were considered partially implemented, and no additional recommendations were offered. The LAB continues to recommend that the Board establish a written reserve policy for the life insurance programs and that additional information be provided to the board on the performance of program auditors.

ETF has adopted a policy that reports to the Board on program audits and will note any performance issues or concerns that surfaced during the audit or will send a statement that no performance issues arose. ETF also continues to report to the Audit Committee of the ETF Board on any vendor performance issues that arise during the course of any audit. The report to the Audit Committee is included with Operational Updates provided quarterly to the Board.

Each year, during the annual review of the life insurance programs, Securian's actuarial staff provides the Board with information on each plan's funding status. While the Board does not set reserve amounts, it does establish funding targets and rates to achieve the funding target. The attached summarizes recent Board actions into a policy statement that codifies established Board funding targets, documents the process for review, and establishes a regular review of funding targets. Audits of the life insurance program are currently scheduled for not less than every three years. ETF requests Board approval of the policy.

Reviewed and approved by John Voelker, Secretary

Electronically Signed 5/3/21

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Staff will be available at the board meeting to answer any questions.

Attachment: Reserve Policy for the Group Life Insurance Program

DRAFT

RESERVE POLICY FOR THE GROUP LIFE INSURANCE PROGRAM

ADOPTED: _____

The Group Insurance Board offers group life insurance to all WRS eligible state employees and their dependents and all WRS local employees and their dependents, if their employer participates. There are separate programs for state and local employees. The program is administered by a contract between the Board and an established life insurer, currently Securian Financial. The program is supported by premiums paid by both employees and employers. The life insurance administrator guarantees adequate assets for all active employee claims; retiree benefits are considered paid up at age 65, subject to a reducing benefit until the insured reaches age 70. The funding target established by the Group Insurance Board (Board) under this policy is used in determining annual premium rates to be paid by program enrollees. Local units of government may determine their contribution amount.

OBJECTIVE

This target funding policy is designed to provide guidance for the Board in establishing premiums that are sufficient to fund plan liabilities, protect the fiscal integrity of the program, and maintain a reasonable premium rate for employees and employers. Implementation of the funding target policy is subject to review annually by the Board as discussed below.

LIFE INSURANCE PROGRAM FUNDING TARGET

The Board will, in consultation with the life insurance administrator actuaries, establish separate funding targets for the state and local programs. The current policy, approved by the Board, establishes a valuation target of 100% of anticipated liabilities for both the state and local programs.

In order to preserve the fund integrity and ease the impact of premium rate changes, the Board may decide to spread recommended rate adjustments so that any funding target adjustment is reached over a period of years rather than in one year. This policy does not prohibit the Board, upon the advice of ETF staff and program actuaries, from setting premium rates that cause the funding target to fall outside the target range if the program's financial condition, claim experience, and other factors or trends indicate that a different target is necessary to fulfill the Board's fiduciary responsibility. Each year, and in consultation with its actuaries, the Board reviews the funding target and premiums.

FUNDING TARGET POLICY REVIEW PERIOD

The Board will review this policy and the funding targets for each plan at least every three years.

AUDIT OF PLAN RESERVES

ETF will present the results of an independent audit of the life insurance administrator to the Board not less than every 5 years.