



Reserve Update

State of Wisconsin Group Insurance Board
Department of Employee Trust Funds

May 12, 2021

Agenda

- Highlights
- Review of Approved Multi-year Reserve Strategy
- Comparison of Projected & Preliminary 2020 EOY Balance
 - State
 - Local
- Questions

Highlights

- State 2020 YE fund balance \$203.9M versus the \$195.6M projected at August GIB - \$8.3M Gain
 - Much lower than last year's gain of almost \$28M
 - Once again driven by investment return exceeding the 7% assumption
 - Expense projections nearly exact
- Local 2020 YE fund balance \$14.5M versus the \$15.9M projected at August GIB - \$1.4M Loss
 - Driven by higher claims and lower Rx rebates
- Market has realized higher returns YTD compared to assumption (as of 4/13/21), so additional gains are likely anticipated.
- The gains and losses above lack the size needed to materially alter planned upon buy downs and increases. This continues to be highly dependent on investment returns.

Board Approved Multi-Year Reserve Draw Strategy – Option 3

- This is the approved strategy which targets a similar rate increase (2.7%) using various draws over the next three year—reaching new policy target in 2023 (State). Local draw amount spread out over the three years as well.

State Reserve Multi-year Strategy

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2021	\$195.6 \$203.9	\$78.2	5.2%	\$117.3	\$10.5
2022	\$198.0	\$82.2	5.2%	\$115.9	\$43.5
2023	\$165.3	\$86.3	5.2%	\$79.1	\$79.1

Projected
Balance

Updated
Balance

Local Reserve Multi-year Strategy

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2021	\$15.9 \$14.6	\$11.5	5.1%	\$4.4	\$1.7
2022	\$15.3	\$12.1	5.1%	\$3.2	\$1.7
2023	\$14.5	\$12.7	5.1%	\$1.8	\$1.8

¹ Assumes 7% investment return and no additional gains or losses that would impact the fund balance.

² Reserve Policy assumed to increase at 5% per year.

³ The Surplus refers to the money in the fund that exceeds the Midpoint Target Reserve at beginning of year.

Fund Balance – Projected

State, as of 6/30/2020

- Using ETF transactional data through 6/30/2020, Segal projected the December ending fund balance.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2020	73.5	132.4	5.5	211.4
Revenue				
Premiums	1,169.5	180.4	61.0	1,410.9
EGWP Subsidy		51.9		51.9
Investment Income	5.2	7.7	0.9	13.8
Total Revenue	1,174.7	240.0	61.9	1,476.5
Expenses				
Paid Claims	1,150.9	335.2	45.8	1,531.9
Admin Costs	17.6	8.4	1.3	27.3
Rebates		(66.9)		(66.9)
Total Expenses	1,168.5	276.8	47.1	1,492.3
Net Income /(Deficit)	6.2	(36.8)	14.8	(15.8)
Balance 12/31/2020	79.6	95.6	20.4	195.6

Fund Balance – Preliminary

State, through 12/31/2020

- Below are the preliminary State health insurance plan results for the period ending December 31, 2020.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2020	73.5	132.4	5.5	211.4
Revenue				
Premiums	1,168.6	167.8	59.3	1,395.7
EGWP Subsidy		48.8		48.8
Investment Income	9.6	18.6	0.7	28.9
Total Revenue	1,178.2	235.2	60.0	1,473.4
Expenses				
Paid Claims	1,148.3	343.4	44.8	1,536.5
Admin Costs	18.7	8.8	1.2	28.7
Rebates		(71.4)		(71.4)
Total Expenses	1,167.0	280.8	46.0	1,493.8
Net Income /(Deficit)	11.2	(32.9)	14.0	(7.7)
Balance 12/31/2020	84.8	99.6	19.6	203.9

Fund Balance – Gain/Loss

State

- Below is the Gain/Loss for State health insurance plan for the period ended December 31, 2020.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Revenue				
Premiums	(0.9)	0.1	(1.7)	(2.4)
EGWP Subsidy		(3.1)		(3.1)
Investment Income	4.4	10.9	(0.2)	15.2
Total Revenue	3.6	7.9	(1.8)	9.7
Expenses				
Paid Claims	2.7	(8.2)	1.0	(4.5)
Admin Costs	(1.1)	(0.4)	0.1	(1.4)
Rebates		4.5		4.5
Total Expenses	1.6	(4.1)	1.1	(1.4)
Gain/(Loss)	5.2	3.9	(0.7)	8.3

- Overall – 2020 gains driven by investment income

Fund Balance – Projected

Local, as of 6/30/2020

- Using ETF transactional data through 6/30/2020, Segal projected the December ending fund balance.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2020	(2.0)	21.0	(0.2)	18.9
Revenue				
Premiums	175.2	26.2	1.8	203.3
EGWP Subsidy	0.0	3.1	0.0	3.1
Investment Income	(0.1)	1.3	0.0	1.2
Total Revenue	175.0	30.6	1.8	207.5
Expenses				
Paid Claims	172.7	45.4	1.5	219.6
Admin Costs	2.2	1.0	0.0	3.2
Rebates	0.0	(12.3)	0.0	(12.3)
Total Expenses	174.9	34.1	1.5	210.5
Net Income /(Deficit)	0.1	(3.4)	0.3	(2.9)
Balance 12/31/2020	(1.8)	17.6	0.2	15.9

Fund Balance – Preliminary

Local, through 12/31/2020

- Below are the preliminary Local health insurance plan results for the period ending December 31, 2020.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2020	(2.0)	21.0	(0.2)	18.8
Revenue				
Premiums	176.0	26.4	1.8	204.2
EGWP Subsidy		2.8		2.8
Investment Income	(0.4)	2.9	0.0	2.5
Total Revenue	175.6	32.1	1.8	209.5
Expenses				
Paid Claims	173.5	46.2	1.5	221.2
Admin Costs	2.4	0.8	0.0	3.2
Rebates		(10.6)		(10.6)
Total Expenses	175.9	36.4	1.5	213.8
Net Income /(Deficit)	(0.3)	(4.3)	0.3	(4.3)
Balance 12/31/2020	(2.3)	16.7	0.1	14.5

Fund Balance – Gain/Loss

Local

- Below is the Gain/Loss for Local health insurance plan for the period ended December 31, 2020.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Revenue				
Premiums	0.8	0.2	0.0	1.0
EGWP Subsidy		(0.3)		(0.3)
Investment Income	(0.3)	1.6	(0.0)	1.3
Total Revenue	0.5	1.5	0.0	2.0
Expenses				
Paid Claims	(0.8)	(0.8)	0.0	(1.7)
Admin Costs	(0.2)	0.2	(0.0)	0.1
Rebates		(1.7)		(1.7)
Total Expenses	(1.0)	(2.3)	0.0	(3.3)
Gain/(Loss)	(0.5)	(0.8)	(0.1)	(1.4)

- Overall – 2020 loss driven by slightly lower rebates and higher claims.

Thank You

Kenneth Vieira, FSA, FCA, MAAA

Senior Vice President

East Region Public Sector Market Leader

kvieira@segalco.com

678.306.3154

Patrick Klein, FSA, MAAA

Vice President

pklein@segalco.com

678.306.3142

