

State of Wisconsin Group Insurance Board Department of Employee Trust Funds

Reserve Update

May 2022/ Ken Vieira and Patrick Klein

Agenda



- Highlights
- Review of Approved Multi-year Reserve Strategy
- Comparison of Projected & Preliminary 2021 EOY Balance
 - State
 - Local
- Questions

Highlights

- State 2021 YE fund balance \$206.0M versus the \$201.8M projected at August GIB - \$4.2M Gain
 - Once again driven by investment return exceeding the 7% assumption
 - Loss on pharmacy offset most of the investment gain
 - Medical and Dental projections materialized as expected
- Local 2021 YE fund balance \$16.2M versus the \$14.6M projected at August GIB - \$1.7M Gain
 - Driven by investment income and pharmacy plan
- The gains above lack the magnitude to materially alter planned buy downs and increases. This funds biggest area of volatility continues to be investment returns.
- Looking forward to 2022, the market has realized negative returns YTD so investment loss expected
 - Expected 7% vs. Actual YTD -5.7% (Dow Jones as of 4/12/2022)

Board Approved Multi-Year Reserve Draw Strategy – Option 4

- This is the approved strategy which targets rate increases of **3.0%** using various draws over the next three years—reaching new policy target in 2024 (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
2022	\$201.8 \$206.0	\$85.5	5.3%	\$116.4	\$27.0
2023	\$187.1	\$89.7	5.3%	\$97.3	\$43.0
2024	\$154.1	\$94.2	5.3%	\$59.9	\$59.9

Projected
Balance

Updated
Balance

Local Reserve Multi-year Strategy

	Balance ¹	Target ²	% of Claims/ FI Premium	Surplus ³	Draw
2022	\$14.6 \$16.2	\$10.2	5.1%	\$4.4	\$2.5
2023	\$13.0	\$10.7	5.1%	\$2.3	\$1.7
2024	\$12.1	\$11.2	5.1%	\$0.9	\$0.9

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 (State) or Low End (Local).

Fund Balance – Projected

State, as of 6/30/2021

- Using ETF transactional data through 6/30/2021, Segal projected the December ending fund balance.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2021	86.3	100.1	19.6	206.1
Revenue				
Premiums	1,171.4	213.2	61.3	1,445.9
EGWP Subsidy		57.4		57.4
Investment Income	6.2	6.2	1.5	13.8
Total Revenue	1,177.6	276.7	62.7	1,517.0
Expenses				
Paid Claims	1,150.1	368.5	57.4	1,576.0
Admin Costs	17.9	9.0	1.2	28.2
Rebates		(82.9)		(82.9)
Total Expenses	1,168.0	294.6	58.6	1,521.3
Net Income /(Deficit)	9.6	(17.9)	4.1	(4.2)
Balance 12/31/2021	95.9	82.3	23.6	201.8

Fund Balance – Preliminary

State, through 12/31/2021

- Below are the preliminary State health insurance plan results for the period ending December 31, 2021.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2021	86.3	100.1	19.6	206.1
Revenue				
Premiums	1,165.9	212.2	59.3	1,437.4
EGWP Subsidy		51.6		51.6
Investment Income	10.0	20.4	1.8	32.2
Total Revenue	1,175.9	284.2	61.1	1,521.2
Expenses				
Paid Claims	1,142.7	370.4	55.7	1,568.8
Admin Costs	20.3	9.2	1.3	30.8
Rebates		(78.2)		(78.2)
Total Expenses	1,163.0	301.4	57.0	1,521.4
Net Income /(Deficit)	12.9	(17.2)	4.1	(0.2)
Balance 12/31/2021	99.3	83.0	23.7	206.0

Fund Balance – Gain/Loss

State

- Below is the Gain/Loss for State health insurance plan for the period ended December 31, 2021.

State Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Revenue				
Premiums	(5.5)	(1.0)	(2.0)	(8.5)
EGWP Subsidy		(5.8)		(5.8)
Investment Income	3.8	14.2	0.3	18.4
Total Revenue	(1.7)	7.5	(1.6)	4.2
Expenses				
Paid Claims	7.4	(1.9)	1.7	7.2
Admin Costs	(2.4)	(0.2)	(0.1)	(2.6)
Rebates		(4.7)		(4.7)
Total Expenses	5.0	(6.8)	1.6	(0.1)
Gain/(Loss)	3.3	0.7	0.0	4.1

- 2021 gain driven by investment income. Meanwhile there was a loss on pharmacy rebates & EGWP subsidy.

Fund Balance – Projected

Local, as of 6/30/2021

- Using ETF transactional data through 6/30/2021, Segal projected the December ending fund balance.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2021	(2.3)	16.8	0.1	14.6
Revenue				
Premiums	183.2	34.4	1.9	219.5
EGWP Subsidy		3.1		3.1
Investment Income	(0.1)	1.1	0.0	1.0
Total Revenue	183.1	38.6	2.0	223.7
Expenses				
Paid Claims	180.4	49.8	2.0	232.2
Admin Costs	2.1	0.9	0.0	3.0
Rebates		(11.4)		(11.4)
Total Expenses	182.6	39.2	2.0	223.7
Net Income /(Deficit)	0.5	(0.6)	(0.0)	(0.1)
Balance 12/31/2021	(1.7)	16.2	0.1	14.6

Fund Balance – Preliminary

Local, through 12/31/2021

- Below are the preliminary Local health insurance plan results for the period ending December 31, 2021.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Balance 1/1/2021	(2.3)	16.8	0.1	14.6
Revenue				
Premiums	183.5	34.4	1.9	219.8
EGWP Subsidy		3.2		3.2
Investment Income	(0.9)	3.5	0.0	2.6
Total Revenue	182.6	41.1	1.9	225.6
Expenses				
Paid Claims	180.8	49.4	1.9	232.1
Admin Costs	2.6	0.9	0.0	3.5
Rebates		(11.6)		(11.6)
Total Expenses	183.4	38.7	1.9	224.0
Net Income /(Deficit)	(0.8)	2.4	0.0	1.6
Balance 12/31/2021	(3.1)	19.2	0.1	16.2

Fund Balance – Gain/Loss

Local

- Below is the Gain/Loss for Local health insurance plan for the period ended December 31, 2021.

Local Health Reserve (in millions)

	Medical	Pharmacy	Dental	Total
Revenue				
Premiums	0.3	0.0	(0.0)	0.3
EGWP Subsidy		0.1		0.1
Investment Income	(0.8)	2.4	(0.0)	1.6
Total Revenue	(0.5)	2.5	(0.1)	1.9
Expenses				
Paid Claims	(0.4)	0.4	0.1	0.1
Admin Costs	(0.5)	(0.0)	0.0	(0.5)
Rebates		0.2		0.2
Total Expenses	(0.8)	0.5	0.1	(0.3)
Gain/(Loss)	(1.3)	3.0	0.0	1.7

- 2021 Gain driven by investment income and slightly lower pharmacy claims than projected.

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

