

Attachment D

August 17, 2022

The Group Insurance Board
4822 Madison Yards Way
Madison, WI 53705-9100

RE: POSTRETIREMENT VALUATION MORTALITY ENHANCEMENTS

Ladies and Gentlemen:

Mortality assumptions are an important component of the postretirement valuation. The COVID-19 pandemic has required some changes to the methodology by which we update the mortality assumption. This letter summarizes the changes.

The updates described below do not require board action.

Adjustment for COVID-19 impacts

There are two added steps to account for COVID-19. These steps are to account for the fact that past pandemic experience is not necessarily what is expected for the future. These steps are as follows:

- Step 1 (Retrospective): Remove COVID-19 cause of death claims from 2020+ experience data to establish the base (non-COVID-19) mortality assumption.
- Step 2 (Prospective): Apply a load to the base mortality to account for future excess mortality from the COVID-19 environment. The load is based on the following:
 - Securian's internal task force analysis which includes Securian data, industry data, and collaboration with industry experts.
 - The load is based on the long-term expectation for COVID-19 to be consistent with the long-term nature of the valuation mortality assumption.

Enhancements to the Base Mortality Assumption

We also made the following changes to our base mortality assumption methodology. These methodology changes enhanced the age-based mortality, which is important since the COVID-19 adjustments were not uniform by age.

Enhancements made to the current method are as follows:

- We updated our experience adjustment to better reflect differences by age. We moved to using age by age experience claim rates versus adjusting with changes to loss ratios. Unlike relative loss ratios, claim rates are not dependent on mortality movement relative to an earlier period. In addition, claim rates are calculated at a more granular level than loss ratios. For these reasons, using claim rates increases the precision of the mortality assumption.
- We moved to an industry (2017 CSO table) based mortality table enhancing credibility for more granular age-based rates. The data used in the 2017 CSO is more up to date than the data underlying the experience table currently used as the base mortality table. An industry table uses more data in determining the age-by-age slope than a plan experience table, which provides increased credibility at the age-by-age level.
- We shortened the experience period to better reflect trends and to be consistent with the period used for pricing reviews. We will now use three years as the experience period as opposed to the five years that is currently used.

Impact to the Postretirement Funding

The aggregate result of the enhancements and adjustments above is a decrease to the State funding of approximately 6%, and an increase to the Local funding level of approximately 3%. The 2021 postretirement valuation reflects these changes.

Respectfully submitted,



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Vice President and Actuary
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