



STATE OF WISCONSIN
Department of Employee Trust Funds
 A. John Voelker
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
 PO Box 7931
 Madison WI 53707-7931
 1-877-533-5020 (toll free)
 Fax 608-267-4549
 etf.wi.gov

Correspondence Memorandum

Date: April 15, 2024
To: Group Insurance Board
From: Tom Rasmussen, Life Insurance and Dental Plans Manager
 Office of Strategic Health Policy
Subject: Life Insurance Open Enrollment for January 2026

The Department of Employee Trust Funds (ETF) recommends the Group Insurance Board (Board) approve an open enrollment for the State Life Insurance Plan for the plan year beginning January 1, 2026, contingent on the successful implementation of the Insurance Administration System (IAS).

Background

The Wisconsin Public Employers Group Life Insurance Program (the Program) is a benefit provided under the Wisconsin Retirement System (WRS) and is available to employees of the State of Wisconsin under the State Plan and employees of participating Wisconsin local government employers under the Local Plan. The Program is governed under Chapter 40 of the Wisconsin State Statutes, Wisconsin Administrative Code, and the life insurance policy between the Board and Securian Financial Group, Inc. (Securian). The Board is the policyholder and is responsible for the Program's oversight. ETF is responsible for administration of the Program. Securian and its affiliate, Minnesota Life Insurance Company, underwrite and assist ETF with administration of the Program.

Employees may enroll in the Program if they are an eligible employee in accordance with Wis Stat § 40.02(25)(a) or (c), whether full time or part time. Coverage is guaranteed without underwriting if employees apply timely. There is also an opportunity for employees to enroll in Basic coverage or increase coverage by one level with a qualified life event. Employees who do not enroll for all available coverage within 30 days of first becoming eligible, or within 30 days of a family status change event may obtain coverage by providing Securian with satisfactory Evidence of Insurability (EOI). As of December 31, 2023, the State plan covered 87,487 total lives for both active employees (50,933) and retirees (36,554). The number of employees who have elected spouse and dependent coverage is 23,071. Total life insurance in force for actives, retirees, spouse and dependent coverage is \$13.8 billion.

Reviewed and approved by Brian Stamm, Deputy Director, Office of Strategic Health Policy
 Electronically Signed 05/07/2024

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Universities of Wisconsin Life Insurance Policies

The Universities of Wisconsin (UW) have historically offered their own life insurance policies in addition to the Program. These policies are only open to UW employees and are also administered by Securian. In March 2023, UW informed ETF that they were considering eliminating several of these life insurance plans, with a goal of simplifying administration and consolidating enrollment to the Program. They asked ETF to examine the possibility of offering an open enrollment to the Program for UW employees that would be losing coverage under the UW-only policies.

UW will eliminate the UW Employee (UWE) Inc. Life Insurance Plan, a shared plan with University of Wisconsin Hospitals and Clinics. The UWE Inc. Board of Directors informed the UW that effective January 1, 2024, they will no longer offer term life insurance to new employees and all existing employees would have coverage without premiums through December 31, 2024. As of January 1, 2025, they plan to terminate the UWE life insurance offering. The UW Board of Regents was informed of the changes to this plan at their December 7, 2023, meeting.

At the December 7, 2023, UW Board of Regents meeting, a motion was passed to bring the University Insurance Association (UIA) Life Insurance plan under the UW Board of Regents from the UIA Board, effective January 1, 2024, with termination no earlier than January 1, 2025. UW is working with their general counsel and Securian to complete the paperwork to move the plan from the UIA Board to the UW Board of Regents. The UW plan is to update new hire materials, no longer listing this plan as an option for new hires, and to start communicating the change to employees and continuants in May of 2024.

UW will continue to offer their Individual and Family Life Insurance Plans. It is working with Securian on offering a special enrollment, up to \$100,000, to all eligible active employees during the Fall 2024 open enrollment for a January 1, 2025, effective date. This open enrollment period is contingent on the UWE and UIA plans terminating as planned. The UW Board of Regents was informed that a special enrollment opportunity would be made available to employees in the UIA plan, and that UW staff was working with ETF on an open enrollment for the State Plan.

Life Insurance Open Enrollment Proposal

ETF examined various open enrollment scenarios, receiving input from Securian and UW, and determined that the best solution was to offer an open enrollment for all active state employees, not just UW employees. ETF recommends offering an open enrollment opportunity for the State Plan for employees, to align with the 2025 fall open enrollment period, for an effective date of January 1, 2026, contingent on the successful implementation of IAS. The enrollment opportunity would be made available to all WRS eligible State active employees. There has not been a special open enrollment for the Program since its 1958 inception.

Aligning the life insurance open enrollment with the It's Your Choice open enrollment period would allow ETF to coordinate communication materials and align with other employee benefit election materials. This will help maximize the education and promotion of the open enrollment event to encourage participation.

The implementation of IAS allows ETF to consider an open enrollment period because it makes it possible to process the expected influx of applications. Prior to IAS, member life insurance applications would need to have been submitted to employers and then manually processed by Securian and ETF, taking up hundreds of hours. With IAS, members will be allowed to submit applications electronically, with a great reduction of processing time of member applications.

The proposed open enrollment period would allow an eligible employee to enroll in Basic coverage or to increase their coverage by one level on a guaranteed issue basis without EOI. Employees already enrolled in the maximum five levels of coverage will not have an enrollment opportunity. Active employees aged 70 or older currently not enrolled in Basic coverage would not be eligible to enroll in Basic coverage, but they can enroll in or increase one level of Additional coverage subject to the maximum coverage. If they already have Basic coverage, they can enroll in or increase one level of Additional coverage. EOI would still be required to add spouse and dependent coverage. Table 1 illustrates the proposed increase eligible employee can select.

Table 1 - Proposed Increase of Coverages

Current Coverage	Potential Election
No Coverage	1X (Basic)
1X (Basic)	2X (Supplemental)
2X (Supplemental)	3X (Additional)
3X (Additional)	4X (Additional)
4X (Additional)	5X (Additional)
5X (Additional)	Not eligible to increase coverage

Based on employee demographics, current coverage amounts, and experience of other clients, Securian projects a growth in enrollment of 7.5%. Due to the expected increase in enrollment, the corresponding employer premium would increase by approximately \$400,000 spread across all state payroll centers. Employee paid premium would increase by approximately \$1.2 million annually. These projections are based on factors of general principles relating to insurance needs at different ages and dependent situations, and actual results could vary from the stated projections.

The projected growth would initially have negligible impact to the funding valuation of the State plan and would strengthen the plan long-term by increasing membership and generating more premium.

Staff will be at the Board meeting to answer any questions.